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Medicare Program; Inpatient Psychiatric Facilities Prospective Payment System Payment Update for Rate Year Beginning July 1, 2007 (RY 2008); Notice

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

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Medicare Program; Inpatient Psychiatric Facilities Prospective Payment System Payment Update for Rate Year Beginning July 1, 2007 (RY 2008)

AGENCY: Centers for Medicare & Medicaid Services (CMS), HHS.

ACTION: Notice.

SUMMARY: This notice updates the prospective payment rates for Medicare inpatient psychiatric hospital services provided by inpatient psychiatric facilities (IPFs). These changes are applicable to IPF discharges occurring during the rate year beginning July 1, 2007 through June 30, 2008.

EFFECTIVE DATE: The updated IPF prospective payment rates are effective for discharges occurring on or after July 1, 2007 through June 30, 2008.

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Heidi Oumarou, (410) 786–7942 (for information regarding the market basket and labor-related share).

Theresa Bean, (410) 786–2287 (for information regarding the regulatory impact analysis).

Matthew Quarrick, (410) 786–9867 (for information on the wage index).

SUPPLEMENTARY INFORMATION:

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Acronyms

Because of the many terms to which we refer by acronym in this notice, we are listing the acronyms used and their corresponding terms in alphabetical order below:

BBRA Medicare, Medicaid and SCHIP [State Children's Health Insurance Program] Balanced Budget Refinement Act of 1999, (Pub. L. 106–113)
CBSA Core-Based Statistical Area
CCR Cost-to-charge ratio
CMSA Consolidated Metropolitan Statistical Area
DSM–IV–TR Diagnostic and Statistical Manual of Mental Disorders Fourth Edition—Text Revision
DRGs Diagnosis-related groups
FY Federal fiscal year
ICD–9–CM International Classification of Diseases, 9th Revision, Clinical Modification
IPFs Inpatient psychiatric facilities
IRFs Inpatient rehabilitation facilities
LTCHs Long-term care hospitals
MedPAR Medicare provider analysis and review file
MSA Metropolitan Statistical Area
RY Rate Year
TEFRA Tax Equity and Fiscal Responsibility Act of 1982, (Pub. L. 97–248)

I. Background

A. Annual Requirements for Updating the IPF PPS

In November 2004, we implemented the IPF PPS in a final rule that appeared in the November 15, 2004 **Federal Register** (69 FR 66922). In developing the IPF PPS, in order to ensure that the IPF PPS is able to account adequately for each IPF's case-mix, we performed an extensive regression analysis of the relationship between the per diem costs and certain patient and facility characteristics to determine those characteristics associated with statistically significant cost differences on a per diem basis. For characteristics with statistically significant cost differences, we used the regression coefficients of those variables to determine the size of the corresponding payment adjustments.

In that final rule, we explained that we believe it is important to delay updating the adjustment factors derived from the regression analysis until we have IPF PPS data that includes as much information as possible regarding the patient-level characteristics of the population that each IPF serves. Therefore, we indicated that we did not intend to update the regression analysis and recalculate the Federal per diem base rate and the patient- and facility-level adjustment until we complete that analysis. Until that analysis is complete, we stated our intention to publish a notice in the **Federal Register** each spring to update the IPF PPS (71 FR 27041).

Updates to the IPF PPS as specified in 42 CFR 412.428 include:

- A description of the methodology and data used to calculate the updated Federal per diem base payment amount.
- The rate of increase factor as described in § 412.424(a)(2)(iii), which is based on the excluded hospital with capital market basket under the update methodology of section 1886(b)(3)(B)(ii) of the Act for each year.
- For discharges occurring on or after July 1, 2006, the rate of increase factor for the Federal portion of the IPF's payment, which is based on the rehabilitation, psychiatric, and long-term care (RPL) market basket.
- For discharges occurring on or after October 1, 2005, the rate of increase factor for the reasonable cost portion of the IPF's payment, which is based on the 2002-based excluded hospital market with capital basket.
- The best available hospital wage index and information regarding whether an adjustment to the Federal per diem base rate, which is needed to maintain budget neutrality.
- Updates to the fixed dollar loss threshold amount in order to maintain the appropriate outlier percentage.
- Describe the ICD–9–CM coding and DRG classification changes discussed in the annual update to the hospital

inpatient prospective payment system (IPPS) regulations.

- Update to the electroconvulsive therapy (ECT) payment by a factor specified by CMS.
- Update to the national urban and rural cost to charge ratio medians and ceilings.
- Update to the cost of living adjustment factors for IPFs located in Alaska and Hawaii if appropriate.

Our most recent annual update occurred in a final rule (71 FR 27040, May 9, 2006) that set forth updates to the IPF PPS payment rates for RY 2007. We subsequently published a correction notice (71 FR 37505, June 30, 2006) with respect to those payment rate updates.

This notice does not initiate any policy changes with regard to the IPF PPS; rather, it simply provides an update to the rates for RY 2008 (that is, the prospective payment rates applicable for discharges beginning July 1, 2007 through June 30, 2008). In establishing these payment rates, we update the IPF per diem payment rates that were published in the May 2006 IPF PPS final rule in accordance with our established polices.

B. Overview of the Legislative Requirements for the IPF PPS

Section 124 of the BBRA required implementation of the IPF PPS. Specifically, section 124 of the BBRA mandated that the Secretary develop a per diem PPS for inpatient hospital services furnished in psychiatric hospitals and psychiatric units that includes in the PPS an adequate patient classification system that reflects the differences in patient resource use and costs among psychiatric hospitals and psychiatric units.

Section 405(g)(2) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) (Pub. L. 108–173) extended the IPF PPS to distinct part psychiatric units of critical access hospitals (CAHs).

To implement these provisions, we published various proposed and final rules in the **Federal Register**. For more information regarding these rules, see the CMS websites *http://www.cms.hhs.gov/InpatientPsychFacilPPS/* and *www.cms.hhs.gov/InpatientpsychfacilPPS/02_regulations.asp.*

C. IPF PPS—General Overview

The November 2004 IPF PPS final rule (69 FR 66922) established the IPF PPS, as authorized under section 124 of the BBRA and codified at subpart N of part 412 of the Medicare regulations. The November 2004 IPF PPS final rule set forth the per diem Federal rates for the implementation year (that is, the 18-month period from January 1, 2005 through June 30, 2006) that provided payment for the inpatient operating and capital costs to IPF's for covered psychiatric services they furnish (that is, routine, ancillary, and capital costs), but not costs of approved educational activities, bad debts, and other services or items that are outside the scope of the IPF PPS. Covered psychiatric services include services for which benefits are provided under the fee-for-service Part A (Hospital Insurance Program) Medicare program.

The IPF PPS established the Federal per diem base rate for each patient day in an IPF derived from the national average daily routine operating, ancillary, and capital costs in IPFs in FY 2002. The average per diem cost was updated to the midpoint of the first year under the IPF PPS, standardized to account for the overall positive effects of the IPF PPS payment adjustments, and adjusted for budget neutrality.

The Federal per diem payment under the IPF PPS is comprised of the Federal per diem base rate described above and certain patient- and facility-level payment adjustments that were found in the regression analysis to be associated with statistically significant per diem cost differences.

The patient-level adjustments include age, DRG assignment, comorbidities, and variable per diem adjustments to reflect a higher per diem cost in the early days of a psychiatric stay. Facility-level adjustments include adjustments for the IPF's wage index, rural location, teaching status, a cost of living adjustment for IPFs located in Alaska and Hawaii, and presence of a qualifying emergency department (ED).

The IPF PPS provides additional payments for: outlier cases; stop-loss protection (which is applicable only during the IPF PPS transition period); interrupted stays; and a per treatment adjustment for patients who undergo ECT.

A complete discussion of the regression analysis appears in the November 2004 IPF PPS final rule (69 FR 66933 through 66936).

Section 124 of Medicare, Medicaid and SCHIP (State Children's Health Insurance Program) Balanced Budget Refinement Act of 1999, (Pub. L. 106–113) (BBRA) does not specify an annual update rate strategy for the IPF PPS and is broadly written to give the Secretary discretion in establishing an update methodology. Therefore, in the November 2004 IPF PPS final rule (69 FR 66966), we implemented the IPF PPS using the following update strategy— (1) Calculate the final Federal per diem base rate to be budget neutral for the 18-month period of January 1, 2005 through June 30, 2006; (2) use a July 1 through June 30 annual update cycle; and (3) allow the IPF PPS first update to be effective for discharges on or after July 1, 2006 through June 30, 2007.

II. Transition Period for Implementation of the IPF PPS

In the November 2004 IPF PPS final rule, we established § 412.426 to provide for a 3-year transition period from reasonable cost-based reimbursement to full prospective payment for IPFs. The purpose of the transition period is to allow existing IPFs time to adjust their cost structures and to integrate the effects of changing to the IPF PPS.

New IPFs, as defined in § 412.426(c), are paid 100 percent of the Federal per diem payment amount. For those IPFs that are transitioning to the new system, payment is based on an increasing percentage of the PPS payment and a decreasing percentage of each IPF's facility-specific Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) reimbursement rate.

TABLE 1.—IPF PPS TRANSITION BLEND FACTORS

Transition year	Cost reporting periods beginning on or after	TEFRA rate percentage	IPF PPS federal rate percentage
1	January 1, 2005	75	25
2	January 1, 2006	50	50
3	January 1, 2007	25	75
	January 1, 2008	0	100

Changes to the blend percentages occur at the beginning of an IPF's cost reporting period. However, regardless of when an IPF's cost reporting year begins, the payment update will be effective for discharges occurring on or after July 1, 2007 through June 30, 2008.

We are currently in the third year of the transition period. As a result, for discharges occurring during IPF cost reporting periods beginning in calendar year (CY) 2007, IPFs would receive a blended payment consisting of 25 percent of the facility-specific TEFRA payment and 75 percent of the IPF PPS payment amount.

For RY 2008, we are not making any changes to the transition period established in the November 2004 IPF PPS final rule.

III. Updates to the IPF PPS for RY Beginning July 1, 2007

The IPF PPS is based on a standardized Federal per diem base rate calculated from FY 2002 IPF average costs per day and adjusted for budget-neutrality and updated to the midpoint of the implementation year. The Federal per diem base rate is used as the standard payment per day under the IPF PPS and is adjusted by the applicable wage index factor and the patient-level and facility-level adjustments that are applicable to the IPF stay.

A detailed explanation of how we calculated the average per diem cost appears in the November 2004 IPF PPS final rule (69 FR 66926).

A. Determining the Standardized Budget-Neutral Federal Per Diem Base Rate

Section 124(a)(1) of the BBRA requires that we implement the IPF PPS in a budget neutral manner. In other words, the amount of total payments under the IPF PPS, including any payment adjustments, must be projected to be equal to the amount of total payments that would have been made if the IPF PPS were not implemented. Therefore, we calculated the budget-neutrality factor by setting the total estimated IPF PPS payments to be equal to the total estimated payments that would have been made under the TEFRA methodology had the IPF PPS not been implemented.

For the IPF PPS methodology, we calculated the final Federal per diem base rate to be budget neutral during the IPF PPS implementation period (that is, the 18-month period from January 1, 2005 through June 30, 2006) using a July 1 update cycle.

We updated the average cost per day to the midpoint of the IPF PPS implementation period (that is, October 1, 2005), and this amount was used in the payment model to establish the budget-neutrality adjustment.

A step-by-step description of the methodology used to estimate payments under the TEFRA payment system appears in the November 2004 IPF PPS final rule (69 FR 66926).

1. Standardization of the Federal Per Diem Base Rate and Electroconvulsive Therapy Rate

In the November 2004 IPF PPS final rule, we describe how we standardized the IPF PPS Federal per diem base rate in order to account for the overall positive effects of the IPF PPS payment adjustment factors. To standardize the IPF PPS payments, we compared the IPF PPS payment amounts calculated from the FY 2002 Medicare Provider Analysis and Review (MedPAR) file to the projected TEFRA payments from the FY 2002 cost report file updated to the midpoint of the IPF PPS implementation period (that is, October 2005). The standardization factor was calculated by dividing total estimated payments under the TEFRA payment system by estimated payments under the IPF PPS. The standardization factor was calculated to be 0.8367.

As described in detail in the May 2006 IPF PPS final rule (71 FR 27045), in reviewing the methodology used to simulate the IPF PPS payments used for the November 2004 IPF PPS final rule, we discovered that due to a computer code error, total IPF PPS payments were underestimated by about 1.36 percent. Since the IPF PPS payment total should have been larger than the estimated figure, the standardization factor should have been smaller (0.8254 vs. 0.8367). In turn, the Federal per diem base rate and the ECT rate should have been reduced by 0.8254 instead of 0.8367.

To resolve this issue, in RY 2007, we amended the Federal per diem base rate and the ECT payment rate prospectively. Using the standardization factor of 0.8254, the average cost per day was effectively reduced by 17.46 percent (100 percent minus 82.54 percent = 17.46 percent).

2. Calculation of the Budget Neutrality Adjustment

To compute the budget neutrality adjustment for the IPF PPS, we separately identified each component of the adjustment, that is, the outlier adjustment, stop-loss adjustment, and behavioral offset.

A complete discussion of how we calculate each component of the budget neutrality adjustment appears in the November 2004 IPF PPS final rule (69 FR 66932 through 66933) and the May 2006 IPF PPS final rule (71 FR 27044 through 27046).

a. Outlier Adjustment

Since the IPF PPS payment amount for each IPF includes applicable outlier amounts, we reduced the standardized Federal per diem base rate to account for aggregate IPF PPS payments estimated to be made as outlier payments. The outlier adjustment was calculated to be 2 percent. As a result, the standardized Federal per diem base rate was reduced by 2 percent to account for projected outlier payments.

b. Stop-Loss Provision Adjustment

As explained in the November 2004 IPF PPS final rule, we provide a stop-loss payment to ensure that an IPF's total PPS payments are no less than a minimum percentage of their TEFRA payment, had the IPF PPS not been implemented. We reduced the standardized Federal per diem base rate by the percentage of aggregate IPF PPS payments estimated to be made for stop-loss payments. As a result, the standardized Federal per diem base rate was reduced by 0.39 percent to account for stop-loss payments.

c. Behavioral Offset

As explained in the November 2004 IPF PPS final rule, implementation of the IPF PPS may result in certain changes in IPF practices especially with respect to coding for comorbid medical conditions. As a result, Medicare may make higher payments than assumed in our calculations. Accounting for these effects through an adjustment is commonly known as a behavioral offset.

Based on accepted actuarial practices and consistent with the assumptions made in other PPSs, we assumed in determining the behavioral offset that IPFs would regain 15 percent of potential "losses" and augment payment increases by 5 percent. We applied this actuarial assumption, which is based on our historical experience with new payment systems, to the estimated "losses" and "gains" among the IPFs. The behavioral offset for the IPF PPS was calculated to be 2.66 percent. As a result, we reduced the standardized Federal per diem base rate by 2.66 percent to account for behavioral changes. As indicated in the November 2004 IPF PPS final rule, we do not plan to change adjustment factors or projections, including the behavioral offset, until we analyze IPF PPS data. At that time, we will re-assess the accuracy of the behavioral offset along with the other factors impacting budget neutrality.

If we find that an adjustment is warranted, the percent difference may be applied prospectively to the established PPS rates to ensure the rates accurately reflect the payment level intended by the statute. In conducting this analysis, we will be interested in the extent to which improved documentation and coding of patients' primary and other diagnoses, which may not reflect real increases in underlying resource demands, has occurred under the PPS.

B. Update of the Federal Per Diem Base Rate and Electroconvulsive Therapy Rate

1. Market Basket for IPFs Reimbursed Under the IPF PPS

As described in the November 2004 IPF PPS final rule, the average per diem cost was updated to the midpoint of the implementation year (69 FR 66931). This updated average per diem cost of $724.43 was reduced by 17.46 percent to account for standardization to projected TEFRA payments for the implementation period, by 2 percent to account for outlier payments, by 0.39 percent to account for stop-loss payments, and by 2.66 percent to account for the behavioral offset. The Federal per diem base rate in the implementation year was $575.95, and for RY 2007, it was $595.09.

Applying the market basket increase of 3.2 percent and the wage index budget neutrality factor of 1.0014 yields a Federal per diem base rate of $614.99 for RY 2008. Similarly, applying the market basket increase and wage index budget neutrality factor to the RY 2007 ECT rate yields an ECT rate of $264.77 for RY 2008.

a. Market Basket Index for the IPF PPS

The market basket index that was used to develop the IPF PPS was the excluded hospital with capital market basket. The market basket was based on 1997 Medicare cost report data and included data for Medicare participating IPFs, inpatient rehabilitation facilities (IRFs), long-term care hospitals (LTCHs), cancer, and children's hospitals.

We are presently unable to create a separate market basket specifically for psychiatric hospitals due to the following two reasons: (1) There is a very small sample size for free-standing psychiatric facilities; and (2) there are limited expense data for some categories on the free-standing psychiatric cost reports (for example, approximately 4 percent of free-standing psychiatric facilities reported contract labor cost data for FY 2002). However, since all IRFs, LTCHs, and IPFs are now paid under a PPS, we are updating PPS payments made under the IRF PPS, the LTCH PPS, and the IPF PPS using a market basket reflecting the operating and capital cost structures for IRFs, IPFs, and LTCHs (hereafter referred to as the rehabilitation, psychiatric, long-term care (RPL) market basket).

We have excluded cancer and children's hospitals from the RPL market basket because their payments are based entirely on reasonable costs subject to rate-of-increase limits established under the authority of section 1886(b) of the Act, which are implemented in regulations at § 413.40. They are not reimbursed under a PPS. Also, the FY 2002 cost structures for cancer and children's hospitals are noticeably different than the cost structures of the IRFs, IPFs, and LTCHs.

The services offered in IRFs, IPFs, and LTCHs are typically more labor-intensive than those offered in cancer and children's hospitals. Therefore, the compensation cost weights for IRFs, IPFs, and LTCHs are larger than those in cancer and children's hospitals. In addition, the depreciation cost weights for IRFs, IPFs, and LTCHs are noticeably smaller than those for cancer and children's hospitals.

A complete discussion of the RPL market basket appears in the May 2006 IPF PPS final rule (71 FR 27046 through 27054).

b. Overview of the RPL Market Basket

The RPL market basket is a fixed weight, Laspeyres-type price index. A market basket is described as a fixed-weight index because it answers the question of how much it would cost, at another time, to purchase the same mix of goods and services purchased to provide hospital services in a base period. The effects on total expenditures resulting from changes in the quantity or mix of goods and services (intensity) purchased subsequent to the base period are not measured. In this manner, the market basket measures only pure price change. Only when the index is rebased would the quantity and intensity effects be captured in the cost weights. Therefore, we rebase the market basket periodically so that cost weights reflect changes in the mix of goods and services that hospitals purchase (hospital inputs) to furnish patient care between base periods.

The terms rebasing and revising, while often used interchangeably, actually denote different activities. Rebasing means moving the base year for the structure of costs of an input price index (for example, shifting the base year cost structure from FY 1997 to FY 2002). Revising means changing data sources, methodology, or price proxies used in the input price index. In 2006 we rebased and revised the market basket used to update the IPF PPS.

Table 2 below sets forth the completed 2002-based RPL market basket including the cost categories, weights, and price proxies.

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Table 2--FY 2002-based RPL Market Basket Cost Categories, Weights, and Proxies

Expense Categories	FY 2002-based RPL Market Basket	FY 2002 RPL Market Basket Price Proxies
TOTAL	100.000	
Compensation	65.877	
Wages and Salaries*	52.895	ECI-Wages and Salaries, Civilian Hospital Workers
Employee Benefits*	12.982	ECI-Benefits, Civilian Hospital Workers
Professional Fees, Non-Medical*	2.892	ECI-Compensation for Professional, Specialty & Technical Workers
Utilities	0.656	
Electricity	0.351	PPI-Commercial Electric Power
Fuel Oil, Coal, etc.	0.108	PPI-Commercial Natural Gas
Water and Sewage	0.197	CPI-U – Water & Sewage Maintenance
Professional Liability Insurance	1.161	CMS Professional Liability Premium Index
All Other Products and Services	19.265	
All Other Products	13.323	
Pharmaceuticals	5.103	PPI Prescription Drugs
Food: Direct Purchase	0.873	PPI Processed Foods &

Expense Categories	FY 2002-based RPL Market Basket	FY 2002 RPL Market Basket Price Proxies
		Feeds
Food: Contract Service	0.620	CPI-U Food Away From Home
Chemicals	1.100	PPI Industrial Chemicals
Medical Instruments	1.014	PPI Medical Instruments & Equipment
Photographic Supplies	0.096	PPI Photographic Supplies
Rubber and Plastics	1.052	PPI Rubber & Plastic Products
Paper Products	1.000	PPI Converted Paper & Paperboard Products
Apparel	0.207	PPI Apparel
Machinery and Equipment	0.297	PPI Machinery & Equipment
Miscellaneous Products**	1.963	PPI Finished Goods less Food & Energy
All Other Services	5.942	
Telephone	0.240	CPI-U Telephone Services
Postage	0.682	CPI-U Postage
All Other: Labor Intensive	2.219	ECI-Compensation for Private Service Occupations
All Other: Non-labor Intensive	2.800	CPI-U All Items
Capital-Related Costs	10.149	
Depreciation	6.186	
Fixed Assets	4.250	Boeckh Institutional Construction 23-year useful life
Movable Equipment	1.937	WPI Machinery & Equipment 11- year useful life
Interest Costs	2.775	
Nonprofit	2.081	Average yield on domestic municipal bonds (Bond Buyer 20 bonds) vintage-weighted (23 years)
For Profit	0.694	Average yield on Moody's Aaa bond vintage-weighted (23 years)
Other Capital-Related Costs	1.187	CPI-U Residential Rent

* Labor-related

** Blood and blood-related products is included in miscellaneous products

NOTE: Due to rounding, weights may not sum to total.

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For RY 2008, we evaluated the price proxies using the criteria of reliability, timeliness, availability, and relevance. *Reliability* indicates that the index is based on valid statistical methods and has low sampling variability. *Timeliness* implies that the proxy is published regularly, preferably at least once a quarter. *Availability* means that the proxy is publicly available. Finally, *relevance* means that the proxy is applicable and representative of the cost category weight to which it is applied. The Consumer Price Indexes (CPIs), Producer Price Indexes (PPIs), and Employment Cost Indexes (ECIs) used as proxies in this market basket meet these criteria.

We note that the proxies are the same as those used for the FY 1997-based excluded hospital with capital market basket. Because these proxies meet our criteria of reliability, timeliness, availability, and relevance, we believe they continue to be the best measure of price changes for the cost categories. For further discussion on the FY 1997-based excluded hospital with capital market basket, see the August 1, 2002 IPPS final rule (67 FR at 50042).

The RY 2008 (that is, beginning July 1, 2007) update for the IPF PPS using

the FY 2002-based RPL market basket and Global Insight's 1st quarter 2007 forecast for the market basket components is 3.2 percent. This includes increases in both the operating section and the capital section for the 12-month RY period (that is, July 1, 2007 through June 30, 2008). Global Insight, Inc. is a nationally recognized economic and financial forecasting firm that contracts with CMS to forecast the components of the market baskets.

2. Labor-Related Share

Due to the variations in costs and geographic wage levels, we believe that payment rates under the IPF PPS should continue to be adjusted by a geographic wage index. This wage index applies to the labor-related portion of the Federal per diem base rate, hereafter referred to as the labor-related share.

The labor-related share is determined by identifying the national average proportion of operating costs that are related to, influenced by, or vary with the local labor market. Using our current definition of labor-related, the labor-related share is the sum of the relative importance of wages and salaries, fringe benefits, professional fees, labor-intensive services, and a portion of the capital share from an appropriate market basket. We used the FY 2002-based RPL market basket costs to determine the labor-related share for the IPF PPS.

The labor-related share for RY 2008 is the sum of the RY 2008 relative importance of each labor-related cost category, and reflects the different rates of price change for these cost categories between the base year (FY 2002) and RY 2008. The sum of the relative importance for the RY 2008 operating costs (wages and salaries, employee benefits, professional fees, and labor-intensive services) is 71.767, as shown in Table 3 below. The portion of capital that is influenced by the local labor market is estimated to be 46 percent, which is the same percentage used in the FY 1997-based IRF and IPF payment systems.

Since the relative importance for capital is 8.742 percent of the FY 2002-based RPL market basket in RY 2008, we are taking 46 percent of 8.742 percent to determine the labor-related share of capital for RY 2008. The result is 4.021 percent, which we added to 71.767 percent for the operating cost amount to determine the total labor-related share for RY 2008. Thus, the labor-related share that we are using for IPF PPS in RY 2008 is 75.788 percent. Table 3 below shows the RY 2008 relative importance of labor-related shares using the FY 2002-based RPL market basket. We note that this labor-related share is determined by using the same methodology as employed in calculating all previous IPF labor-related shares.

A complete discussion of the IPF labor-related methodology appears in the November 2004 IPF PPS final rule (69 FR 66952 through 66954).

TABLE 3.—TOTAL LABOR-RELATED SHARE—RELATIVE IMPORTANCE FOR RY 2008

Cost category	FY 2002-based RPL market basket relative importance (Percent) RY 2007	FY 2002 RPL market basket relative importance (Percent) RY 2008
Wages and salaries	52.506	52.588
Employee benefits	14.042	14.127
Professional fees	2.886	2.907
All other labor-intensive services	2.152	2.145
Subtotal	71.586	71.767
Labor-related share of capital costs	4.079	4.021
Total	75.665	75.788

3. IPFs Paid Based on a Blend of the Reasonable Cost-Based Payments

As stated in the FY 2006 IPPS final rule (70 FR 47399), for IPFs that are transitioning to the fully Federal prospective payment rate, we are now using the rebased and revised FY 2002-based excluded hospital market basket to update the reasonable cost-based portion of their payments.

We chose FY 2002 as the base year for the excluded hospital market basket because this was the most recent, complete year of Medicare cost report data.

The reasonable cost-based payments, subject to TEFRA limits, are determined on a FY basis. The FY 2008 update factor for the portion of the IPF PPS transitional blend payment based on reasonable costs will be published in the FY 2008 IPPS proposed and final rules.

IV. Update of the IPF PPS Adjustment Factors

A. Overview of the IPF PPS Adjustment Factors

The IPF PPS payment adjustments were derived from a regression analysis of 100 percent of the FY 2002 MedPAR data file, which contained 483,038 cases. We used the same results of this regression analysis to implement the November 2004 and May 2006 IPF PPS final rules. We also use the same results of this regression analysis to update the IPF PPS for RY 2008.

As previously stated, we do not plan to update the regression analysis until we analyze IPF PPS data. We plan to monitor claims and payment data independently from cost report data to assess issues, or whether changes in case-mix or payment shifts have occurred between free standing governmental, non-profit, and private psychiatric hospitals, and psychiatric units of general hospitals, and other issues of importance to psychiatric facilities.

A complete discussion of the data file used for the regression analysis appears in the November 2004 IPF PPS final rule (69 FR 66935 through 66936).

B. Patient-Level Adjustments

In the May 2006 IPF PPS final rule (71 FR 27040) for RY 2007, we provided payment adjustments for the following patient-level characteristics: DRG assignment of the patient's principal diagnosis; selected comorbidities; patient age; and the variable per diem adjustments. As previously stated in the November 2004 IPF PPS final rule, we do not intend to update the adjustment factors derived from the regression analysis until we have IPF PPS data that includes as much information as possible regarding the patient-level

characteristics of the population that each IPF serves.

1. Adjustment for DRG Assignment

The IPF PPS includes payment adjustments for the psychiatric DRG assigned to the claim based on each patient's principal diagnosis. In the May 2006 IPF PPS final rule (71 FR 27040), we explained that the IPF PPS includes 15 diagnosis-related group (DRG) adjustment factors. The adjustment factors were expressed relative to the most frequently reported psychiatric DRG in FY 2002, that is, DRG 430 (psychoses). The coefficient values and adjustment factors were derived from the regression analysis.

In accordance with § 412.27, payment under the IPF PPS is made for claims with a principal diagnosis included in the Diagnostic and Statistical Manual of Mental Disorder-Fourth Edition-Text Revision (DSM–IV–TR) or Chapter Five of the International Classification of Diseases-9th Revision-Clinical Modifications (ICD–9–CM).

The Standards for Electronic Transaction final rule published in the **Federal Register** on August 17, 2000 (65 FR 50312), adopted the ICD–9–CM as the designated code set for reporting diseases, injuries, impairments, other health related problems, their manifestations, and causes of injury, disease, impairment, or other health related problems.

IPF claims with a principal diagnosis included in Chapter Five of the ICD–9–CM or the DSM–IV–TR will be paid the Federal per diem base rate under the IPF PPS, all other applicable adjustments, and a DRG adjustment. Psychiatric principal diagnoses that do not group to one of the 15 designated DRGs receive the Federal per diem base rate and all other applicable adjustments, but the payment would not include a DRG adjustment.

We continue to believe that it is vital to maintain the same diagnostic coding and DRG classification for IPFs that is used under the IPPS for providing the same psychiatric care. All changes to the ICD–9–CM coding system that would impact the IPF PPS are addressed in the IPPS proposed and final rules published each year. The updated codes are effective October 1 of each year and must be used to report diagnostic or procedure information.

The official version of the ICD–9–CM is available on CD–ROM from the U.S. Government Printing Office. The FY 2007 version can be ordered by contacting the Superintendent of Documents, U.S. Government Printing Office, Department 50, Washington, DC 20402–9329, telephone number (202) 512–1800. Questions concerning the ICD–9–CM should be directed to Patricia E. Brooks, Co-Chairperson, ICD–9–CM Coordination and Maintenance Committee, CMS, Center for Medicare Management, Hospital and Ambulatory Policy Group, Division of Acute Care, Mailstop C4–08–06, 7500 Security Boulevard, Baltimore, Maryland 21244–1850.

Further information concerning the official version of the ICD–9–CM can be found in the IPPS final regulation, "Revision to Hospital Inpatient Prospective Payment Systems—2007 FY Occupational Mix Adjustment to Wage Index Implementation; Final Rule," in the August 18, 2006 **Federal Register** (71 FR 47870) and at *http://www.cms.hhs.gov/QuarterlyProviderUpdates/Downloads/CMS1488F.pdf.*

The three tables below list the FY 2007 new ICD–9–CM diagnosis codes, the one FY 2007 revised diagnosis code title, and the one invalid FY 2007 ICD diagnosis code, respectively, that group to one of the 15 DRGs for which the IPF PPS provides an adjustment. These tables are only a listing of FY 2007 changes and do not reflect all of the currently valid and applicable ICD–9–CM codes classified in the DRGs.

Table 4 below lists the new FY 2007 ICD–9–CM diagnosis codes that are classified to one of the 15 DRGs that are provided a DRG adjustment in the IPF PPS. When coded as a principal code or diagnosis, these codes receive the correlating DRG adjustment.

TABLE 4.—FY 2007 NEW DIAGNOSIS CODES

Diagnosis code	Description	DRG
331.83	Mild cognitive impairment.	12
333.71	Althetoid cerebral palsy.	12

Table 5 below lists the ICD–9–CM diagnosis code whose title has been modified in FY 2007. Title changes do not impact the DRG adjustment. When used as a principal diagnosis, these codes still receive the correlating DRG adjustment.

TABLE 5.—REVISED DIAGNOSIS CODE TITLE

Diagnosis code	Description	DRG
333.6	Genetic torsion dystonia.	12

Table 6 below lists the invalid ICD–9–CM diagnosis code no longer applicable for the DRG adjustment in FY 2007.

TABLE 6.—INVALID DIAGNOSIS CODE TITLE

Diagnosis code	Description	DRG
333.7	Symptomatic torsion dystonia.	12

Since we do not plan to update the regression analysis until we analyze IPF PPS data, the DRG adjustments factors, shown in Table 7 below, will continue to be paid for RY 2008.

2. Payment for Comorbid Conditions

The intent of the comorbidity adjustment is to recognize the increased cost associated with comorbid conditions by providing additional payments for certain concurrent medical or psychiatric conditions that are expensive to treat.

In the May 2006 IPF PPS final rule, we established 17 comorbidity categories and identified the ICD–9–CM diagnosis codes that generate a payment adjustment under the IPF PPS.

Comorbidities are specific patient conditions that are secondary to the patient's principal diagnosis, and that require treatment during the stay. Diagnoses that relate to an earlier episode of care and have no bearing on the current hospital stay are excluded and should not be reported on IPF claims. Comorbid conditions must exist at the time of admission or develop subsequently, and affect the treatment received, affect the length of stay (LOS) or affect both treatment and LOS.

For each claim, an IPF may receive only one comorbidity adjustment per comorbidity category, but it may receive an adjustment for more than one comorbidity category. Billing instructions require that IPFs must enter the full ICD–9–CM codes for up to 8 additional diagnoses if they co-exist at the time of admission or develop subsequently.

The comorbidity adjustments were determined based on the regression analysis using the diagnoses reported by hospitals in FY 2002. The principal diagnoses were used to establish the DRG adjustment and were not accounted for in establishing the comorbidity category adjustments, except where ICD–9–CM "code first" instructions apply. As we explained in the May 2006 IPF PPS final rule (71 FR 27040), the code first rule applies when a condition has both an underlying

etiology and a manifestation due to the underlying etiology. For these conditions, the ICD–9–CM has a coding convention that requires the underlying conditions to be sequenced first followed by the manifestation. Whenever a combination exists, there is a "use additional code" note at the etiology code and a "code first" note at the manifestation code.

Although we are updating the IPF PPS to reflect updates to the ICD–9–CM codes, the comorbidity adjustment factors currently in effect will remain in effect for RY 2008. As previously stated, we do not plan to update the regression analysis until we analyze IPF PPS data. The comorbidity adjustments are shown in Table 8 below.

TABLE 7--RY 2008 DRGs Adjustment Factors

DRG	DRG Definition	Adjustment Factor
DRG 424	O.R. Procedure with Principal Diagnosis of Mental Illness	1.22
DRG 425	Acute Adjustment Reaction & Psychosocial Dysfunction	1.05
DRG 426	Depressive Neurosis	0.99
DRG 427	Neurosis, Except Depressive	1.02
DRG 428	Disorders of Personality & Impulse Control	1.02
DRG 429	Organic Disturbances & Mental Retardation	1.03
DRG 430	Psychoses	1.00
DRG 431	Childhood Mental Disorders	0.99
DRG 432	Other Mental Disorder Diagnoses	0.92
DRG 433	Alcohol/Drug Abuse or Dependence, Leave Against Medical Advice (LAMA)	0.97
DRG 521	Alcohol/Drug Abuse or Dependence with CC	1.02
DRG 522	Alcohol/Drug Abuse or Dependence with Rehabilitation Therapy without CC	0.98
DRG 523	Alcohol/Drug Abuse or Dependence without Rehabilitation Therapy without CC	0.88
DRG 12	Degenerative Nervous System Disorders	1.05
DRG 23	Non-traumatic Stupor & Coma	1.07

As previously discussed in the DRG section, we believe it is essential to maintain the same diagnostic coding set for IPFs that is used under the IPPS for providing the same psychiatric care. Therefore, in this update notice, we are continuing to use the most current FY 2007 ICD codes. They are reflected in the FY 2007 GROUPER, version 24.0 and are effective for discharges occurring on or after October 1, 2006.

Table 8 below lists the FY 2007 new ICD diagnosis codes that impact the comorbidity adjustments under the IPF PPS, Table 9 lists the revised ICD codes, and Table 10 lists the invalid ICD codes no longer applicable for the comorbidity adjustment. Table 11 lists all of the currently valid ICD codes applicable for the IPF PPS comorbidity adjustments.

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TABLE 8 -- FY 2007 New ICD Codes Applicable for the Comorbidity Adjustments

Diagnosis Code	Description	DRG	Comorbidity Category
052.2	Postvaricella myelitis	561	Infectious Diseases
053.14	Herpes zoster myelitis	561	Infectious Diseases
238.71	Essential thrombocythemia	398 – 399	Oncology Treatment
238.72	Low grade myelodysplastic syndrome lesions	395 – 396	Oncology Treatment
238.73	High grade myelodysplastic syndrome lesions	395 – 396	Oncology Treatment
238.74	Myelodysplastic syndrome with 5q deletion	395 – 396	Oncology Treatment
238.75	Myelodysplastic syndrome, unspecified	395 – 396	Oncology Treatment
238.76	Myelofibrosis with myeloid metaplasia	401 – 404, 539 – 540	Oncology Treatment
238.79	Other lymphatic and hematopoietic tissues	401 – 404, 539 – 540	Oncology Treatment

Table 9 below, which lists the FY 2007 revised ICD codes, does not reflect all of the currently valid ICD codes applicable for the IPF PPS comorbidity adjustments.

TABLE 9--FY 2007 Revised ICD Codes

Diagnosis Code	Description	DRG	Comorbidity Category
403.01	Hypertensive chronic kidney disease, malignant, with chronic kidney disease stage V or end stage renal disease	315 – 316	Renal Failure, Chronic
403.11	Hypertensive chronic kidney disease, benign, with chronic kidney disease stage V or end stage renal disease	315 – 316	Renal Failure, Chronic
403.91	Hypertensive chronic kidney disease, unspecified, with chronic kidney disease stage V or end stage renal disease	315 – 316	Renal Failure, Chronic
404.02	Hypertensive heart and chronic kidney disease, malignant, without heart failure and with chronic kidney disease stage V or end stage renal disease	315 – 316	Renal Failure, Chronic
404.03	Hypertensive heart and chronic kidney disease, malignant, with heart failure and with chronic kidney disease stage V or end stage renal disease	121, 124, 127, 535, 547, 549, 551, 553, 555, 557	Cardiac Conditions
404.12	Hypertensive heart and chronic kidney disease, benign, without heart failure and with chronic kidney disease stage V or end stage renal disease	315 – 316	Renal Failure, Chronic
404.13	Hypertensive heart and chronic kidney disease, benign, with heart failure and	121, 124, 127, 535, 547, 549, 551, 553, 555,	Renal Failure, Chronic
	chronic kidney disease stage V or end stage renal disease	557	
404.92	Hypertensive heart and chronic kidney disease, unspecified, without heart failure and with chronic kidney disease stage V or end stage renal disease	315 – 316	Renal Failure, Chronic
404.93	Hypertensive heart and chronic kidney disease, unspecified, with heart failure and chronic kidney disease stage V or end stage renal disease	121, 124, 127, 535, 547, 549, 551, 553, 555, 557	Renal Failure, Chronic

In Table 10 below, we list the FY 2007 invalid ICD diagnosis code 238.7.

TABLE 10.—FY 2007 INVALID ICD CODES NO LONGER APPLICABLE FOR THE COMORBIDITY ADJUSTMENTS

Diagnosis code	Description	DR	Comorbidity category
238.7	Other lymphatic and hematopoietic tissues	413–414	Oncology Treatment.

The seventeen comorbidity categories for which we are providing an adjustment, their respective codes, including the new FY 2007 ICD codes, and their respective adjustment factors, are listed below in Table 11.

TABLE 11-- RY 2008 Diagnosis Codes and Adjustment Factors for Comorbidity Categories

Description of Comorbidity	ICD-9CM Code	Adjustment Factor
Developmental Disabilities	317, 3180, 3181, 3182, and 319	1.04
Coagulation Factor Deficits	2860 through 2864	1.13
Tracheostomy	51900 – through 51909 and V440	1.06
Renal Failure, Acute	5845 through 5849, 63630, 63631, 63632, 63730, 63731, 63732, 6383, 6393, 66932, 66934, 9585	1.11
Renal Failure, Chronic	40301, 40311, 40391, 40402, 40412, 40413, 40492, 40493, 5853, 5854, 5855, 5856, 5859, 586, V451, V560, V561, and V562	1.11
Oncology Treatment	1400 through 2399 with a radiation therapy code 92.21-92.29 or chemotherapy code 99.25	1.07
Uncontrolled Diabetes-Mellitus with or without complications	25002, 25003, 25012, 25013, 25022, 25023, 25032, 25033, 25042, 25043, 25052, 25053, 25062, 25063, 25072, 25073, 25082, 25083, 25092, and 25093	1.05
Severe Protein Calorie Malnutrition	260 through 262	1.13
Eating and Conduct Disorders	3071, 30750, 31203, 31233, and 31234	1.12
Infectious Disease	01000 through 04110, 042, 04500 through 05319, 05440 through 05449, 0550 through 0770, 0782 through 07889, and 07950 through 07959	1.07
Drug and/or Alcohol Induced Mental Disorders	2910, 2920, 29212, 2922, 30300, and 30400	1.03
Cardiac Conditions	3910, 3911, 3912, 40201, 40403, 4160, 4210, 4211, and 4219	1.11
Gangrene	44024 and 7854	1.10
Chronic Obstructive Pulmonary Disease	49121, 4941, 5100, 51883, 51884, V4611 and V4612, V4613 and V4614	1.12
Artificial Openings - Digestive and Urinary	56960 through 56969, 9975, and V441 through V446	1.08
Severe Musculoskeletal and Connective Tissue Diseases	6960, 7100, 73000 through 73009, 73010 through 73019, and 73020 through 73029	1.09
Poisoning	96500 through 96509, 9654, 9670 through 9699, 9770, 9800 through 9809, 9830 through 9839, 986, 9890 through 9897	1.11

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3. Patient Age Adjustments

As explained in the November 2004 IPF PPS final rule, we analyzed the impact of age on per diem cost by examining the age variable (that is, the range of ages) for payment adjustments.

In general, we found that the cost per day increases with increasing age. The older age groups are more costly than the under 45 age group, the differences in per diem cost increase for each successive age group, and the differences are statistically significant.

We do not plan to update the regression analysis until we analyze IPF PPS data. For RY 2008, we are continuing to use the patient age adjustments currently in effect and as shown in Table 12 below.

TABLE 12.—AGE GROUPINGS AND ADJUSTMENT FACTORS

Age	Adjustment factor
Under 45	1.00
45 and under 50	1.01
50 and under 55	1.02
55 and under 60	1.04
60 and under 65	1.07
65 and under 70	1.10

TABLE 12.—AGE GROUPINGS AND ADJUSTMENT FACTORS—Continued

Age	Adjustment factor
70 and under 75	1.13
75 and under 80	1.15
80 and over	1.17

4. Variable Per Diem Adjustments

We explained in the November 2004 IPF PPS final rule that a regression analysis indicated that per diem cost declines as the LOS increases (69 FR 66946). The variable per diem adjustments to the Federal per diem base rate account for ancillary and administrative costs that occur disproportionately in the first days after admission to an IPF.

We used a regression analysis to estimate the average differences in per diem cost among stays of different lengths. As a result of this analysis, we established variable per diem adjustments that begin on day 1 and decline gradually until day 21 of a patient's stay. For day 22 and thereafter, the variable per diem adjustment remains the same each day for the remainder of the stay. However, the adjustment applied to day 1 depends upon whether the IPF has a qualifying ED. If an IPF has a qualifying ED, it receives a 1.31 adjustment factor for day 1 of each patient stay. If an IPF does not have a qualifying ED, it receives a 1.19 adjustment factor for day 1 of the stay. The ED adjustment is explained in more detail in section IV.C.5 of this notice.

As previously stated, we do not plan to make changes to the regression analysis until we analyze IPF PPS data. Therefore, for RY 2008, we are continuing to use the variable per diem adjustment factors currently in effect as shown in Table 13 below.

A complete discussion of the variable per diem adjustments appears in the November 2004 IPF PPS final rule (69 FR 66946).

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Table 13--Variable Per Diem Adjustments

Day-Of-Stay	Adjustment Factor
Day 1- IPF Without a Qualified ED	1.19
Day 1- IPF With a Qualified ED	1.31
Day 2	1.12
Day 3	1.08
Day 4	1.05
Day 5	1.04
Day 6	1.02
Day 7	1.01
Day 8	1.01
Day 9	1.00
Day 10	1.00
Day 11	0.99
Day 12	0.99
Day 13	0.99
Day 14	0.99
Day 15	0.98
Day 16	0.97
Day 17	0.97
Day 18	0.96
Day 19	0.95
Day 20	0.95
Day 21	0.95
After Day 21	0.92

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C. Facility-Level Adjustments

The IPF PPS includes facility-level adjustments for the wage index, IPFs located in rural areas, teaching IPFs, cost of living adjustments for IPFs located in Alaska and Hawaii, and IPFs with a qualifying ED.

1. Wage Index Adjustment

As discussed in the May 2006 IPF PPS final rule, in providing an adjustment for area wage levels, the labor-related portion of an IPF's Federal prospective payment is adjusted using an appropriate wage index. An IPF's area wage index value is determined based on the actual location of the IPF in an urban or rural area as defined in § 412.64(b)(1)(ii)(A) through (C).

Since the inception of a PPS for IPFs, we have used hospital wage data in developing a wage index to be applied to IPFs. We are continuing that practice for RY 2008. We apply the wage index adjustment to the labor-related portion of the Federal rate, which is 75.788 percent. This percentage reflects the labor-related relative importance of the RPL market basket for RY 2008. The IPF PPS uses the pre-floor, pre-reclassified hospital wage index. Changes to the

wage index are made in a budget neutral manner, so that updates do not increase expenditures.

For RY 2008, we are applying the most recent hospital wage index using the hospital wage data, and applying an adjustment in accordance with our budget neutrality policy. This policy requires us to estimate the total amount of IPF PPS payments in RY 2007 and divide that amount by the total estimated IPF PPS payments in RY 2008. The estimated payments are based on FY 2005 IPF claims, inflated to the appropriate RY. This quotient is the wage index budget neutrality factor, and it is applied in the update of the Federal per diem base rate for RY 2008. The wage index budget neutrality factor for RY 2008 is 1.0014.

The wage index applicable for RY 2008 appears in Table 1 and Table 2 in the Addendum of this notice. As explained in the May 2006 IPF PPS final rule for RY 2007 (71 FR 27061), the IPF PPS applies the hospital wage index without a hold-harmless policy, and without an out-commuting adjustment or out-migration adjustment because we feel these policies apply only to the IPPS.

In the May 2006 IPF PPS final rule for RY 2007 (71 FR 27061), we adopted the changes discussed in the Office of Management and Budget (OMB) Bulletin No. 03–04 (June 6, 2003), which announced revised definitions for Metropolitan Statistical Areas (MSAs), and the creation of Micropolitan Statistical Areas and Combined Statistical Areas. In adopting the OMB Core-Based Statistical Area (CBSA) geographic designations, since the IPF PPS is already in a transition period from TEFRA payments to PPS payments, we did not provide a separate transition for the wage index.

As was the case in RY 2007, for RY 2008, we will be using the full CBSA-based wage index values as presented in Tables 1 and 2 in the Addendum of this notice.

Finally, we continue to use the same methodology discussed in the IPF PPS proposed rule for RY 2007 (71 FR 3633) and finalized in the May 2006 IPF PPS final rule for RY 2007 (71 FR 27061) to address those geographic areas where there are no hospitals and, thus, no hospital wage index data on which to base the calculation of the RY 2008 IPF PPS wage index. For RY 2008, those areas consist of rural Massachusetts, rural Puerto Rico and urban CBSA (25980) Hinesville-Fort Stewart, GA.

A complete discussion of the CBSA labor market definitions appears in the May 2006 IPF PPS final rule (71 FR 27061 through 27067).

2. Adjustment for Rural Location

In the November 2004 IPF PPS final rule, we provided a 17 percent payment adjustment for IPFs located in a rural area. This adjustment was based on the regression analysis which indicated that the per diem cost of rural facilities was 17 percent higher than that of urban facilities after accounting for the influence of the other variables included in the regression. As previously stated, we do not intend to update the regression analysis until we analyze the IPF PPS data. At that time, we can compare rural and urban IPFs to determine how much more costly rural facilities are on a per diem basis under the IPF PPS.

For RY 2008, we are applying a 17 percent payment adjustment for IPFs located in a rural area as defined at § 412.64(b)(1)(ii)(C).

A complete discussion of the adjustment for rural locations appears in the November 2004 IPF PPS final rule (69 FR 66954).

3. Teaching Adjustment

In the November 2004 IPF PPS final rule, we implemented regulations at § 412.424(d)(1)(iii) to establish a facility-level adjustment for IPFs that are, or are part of, teaching institutions. The teaching status adjustment accounts for the higher indirect operating costs experienced by facilities that participate in graduate medical education (GME) programs. Payments are made based on the number of full-time equivalent interns and residents training in the IPF.

Medicare makes direct GME payments (for direct costs such as resident and teaching physician salaries, and other direct teaching costs) to all teaching hospitals including those paid under the IPPS, and those that were once paid under the TEFRA rate-of-increase limits but are now paid under other PPSs. These direct GME payments are made separately from payments for hospital operating costs and are not part of the PPSs. The direct GME payments do not address the higher indirect operating costs experienced by teaching hospitals.

For teaching hospitals paid under the TEFRA rate-of-increase limits, Medicare did not make separate medical education payments because payments to these hospitals were based on the hospitals' reasonable costs. Since payments under TEFRA were based on hospitals' reasonable costs, the higher indirect costs that might be associated with teaching programs would automatically have been factored into the TEFRA payments.

The results of the regression analysis of FY 2002 IPF data established the basis for the payment adjustments included in the November 2004 IPF PPS final rule. The results showed that the indirect teaching cost variable is significant in explaining the higher costs of IPFs that have teaching programs. We calculated the teaching adjustment based on the IPF's "teaching variable," which is one plus the ratio of the number of full-time equivalent (FTE) residents training in the IPF (subject to limitations described below) to the IPF's average daily census (ADC).

In the regression analysis, the logarithm of the teaching variable had a coefficient value of 0.5150. We converted this cost effect to a teaching payment adjustment by treating the regression coefficient as an exponent and raising the teaching variable to a power equal to the coefficient value. We note that the coefficient value of 0.5150 was based on the regression analysis holding all other components of the payment system constant.

As with other adjustment factors derived through the regression analysis, we do not plan to rerun the regression analysis until we analyze IPF PPS data. Therefore, for RY 2008, we are retaining the coefficient value of 0.5150 for the teaching status adjustment to the Federal per diem base rate.

A complete discussion of how the teaching status adjustment was calculated appears in the November 2004 IPF PPS final rule (69 FR 66954 through 66957) and the May 2006 IPF PPS final rule (71 FR 27067 through 27070).

4. Cost of Living Adjustment for IPFs Located in Alaska and Hawaii

The IPF PPS includes a payment adjustment for IPFs located in Alaska and Hawaii based upon the county in which the IPF is located. As we explained in the November 2004 IPF PPS final rule, the FY 2002 data demonstrated that IPFs in Alaska and Hawaii had per diem costs that were disproportionately higher than other IPFs. Other Medicare PPSs (for example, the IPPS and IRF PPS) have adopted a cost of living adjustment (COLA) to account for the cost differential of care furnished in Alaska and Hawaii.

We analyzed the effect of applying a COLA to payments for IPFs located in Alaska and Hawaii. The results of our analysis demonstrated that a COLA for IPFs located in Alaska and Hawaii would improve payment equity for these facilities. As a result of this analysis, we provided a COLA in the November 2004 IPF PPS final rule.

In general, the COLA accounts for the higher costs in the IPF and eliminates the projected loss that IPFs in Alaska

and Hawaii would experience absent the COLA. A COLA factor for IPFs located in Alaska and Hawaii is made by multiplying the non-labor share of the Federal per diem base rate by the applicable COLA factor based on the COLA area in which the IPF is located.

As previously stated, we will update the COLA factors if applicable, as updated by OPM. On August 2, 2006, the U.S. Office of Personnel Management (OPM) issued a final rule to change COLA rates effective September 1, 2006.

The COLA factors are published on the OPM Web site at (*http://www.opm.gov/oca/cola/rates.asp*).

We note that the COLA areas for Alaska are not defined by county as are the COLA areas for Hawaii. In 5 CFR § 591.207, the OPM established the following COLA areas:

(a) City of Anchorage, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;

(b) City of Fairbanks, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;

(c) City of Juneau, and 80-kilometer (50-mile) radius by road, as measured from the Federal courthouse;

(d) Rest of the State of Alaska.

In the November 2004 and May 2006 IPF PPS final rules, we showed only one COLA for Alaska because all four areas were the same amount (1.25). Effective September 1, 2006, the OPM updated the COLA amounts and there are now two different amounts for the Alaska COLA areas (1.24 and 1.25).

For RY 2008, IPFs located in Alaska and Hawaii will receive the updated COLA factors based on the COLA area in which the IPF is located and as shown in Table 14 below.

TABLE 14.—COLA FACTORS FOR ALASKA AND HAWAII IPFS

Location	COLA
	Alaska
Anchorage	1.24
Fairbanks	1.24
Juneau	1.24
Rest of Alaska	1.25
	Hawaii
Honolulu County	1.25
Hawaii County	1.17
Kauai County	1.25
Maui County	1.25
Kalawao County	1.25

5. Adjustment for IPFs With a Qualifying Emergency Department (ED)

Currently, the IPF PPS includes a facility-level adjustment for IPFs with qualifying EDs. We provide an adjustment to the standardized Federal per diem base rate to account for the costs associated with maintaining a full-service ED. The adjustment is intended to account for ED costs allocated to the hospital's distinct part psychiatric unit for preadmission services otherwise payable under the Medicare Outpatient Prospective Payment System (OPPS) furnished to a beneficiary during the day immediately preceding the date of admission to the IPF (see § 413.40(c)) and the overhead cost of maintaining the ED. This payment is a facility-level adjustment that applies to all IPF admissions (with the one exception as described below), regardless of whether a particular patient receives preadmission services in the hospital's ED.

The ED adjustment is incorporated into the variable per diem adjustment for the first day of each stay for IPFs with a qualifying ED. That is, IPFs with a qualifying ED receive an adjustment factor of 1.31 as the variable per diem adjustment for day 1 of each stay. If an IPF does not have a qualifying ED, it receives an adjustment factor of 1.19 as the variable per diem adjustment for day 1 of each patient stay.

The ED adjustment is made on every qualifying claim except as described below. As specified in § 412.424(d)(1)(v)(B), the ED adjustment is not made where a patient is discharged from an acute care hospital or CAH and admitted to the same hospital's or CAH's psychiatric unit. An ED adjustment is not made in this case because the costs associated with ED services are reflected in the DRG payment to the acute care hospital or through the reasonable cost payment made to the CAH. If we provided the ED adjustment in these cases, the hospital would be paid twice for the overhead costs of the ED (69 FR 66960).

Therefore, when patients are discharged from an acute care hospital or CAH and admitted to the same hospital's or CAH's psychiatric unit, the IPF receives the 1.19 adjustment factor as the variable per diem adjustment for the first day of the patient's stay in the IPF. As previously stated, we do not intend to conduct a new regression analysis for this IPF PPS update. Rather, we plan to wait until we analyze IPF PPS data.

For RY 2008, we are retaining the 1.31 adjustment factor for IPFs with qualifying EDs.

A complete discussion of the steps involved in the calculation of the ED adjustment factor appears in the November 2004 IPF PPS final rule (69 FR 66959 through 66960) and the May 2006 IPF PPS final rule (71 FR 27070 through 27072).

D. Other Payment Adjustments and Policies

For RY 2008, the IPF PPS includes the following payment adjustments: an outlier adjustment to promote access to IPF care for those patients who require expensive care and to limit the financial risk of IPFs treating unusually costly patients, and a stop-loss provision, applicable during the transition period, to reduce financial risk to IPFs projected to experience substantial reductions in Medicare payments under the IPF PPS.

1. Outlier Payments

In the November 2004 IPF PPS final rule, we implemented regulations at § 412.424(d)(3)(i) to provide a per-case payment for IPF stays that are extraordinarily costly. Providing additional payments for outlier cases to IPFs that are beyond the IPF's control strongly improves the accuracy of the IPF PPS in determining resource costs at the patient and facility level because facilities receive additional compensation over and above the adjusted Federal prospective payment amount for uniquely high-cost cases. These additional payments reduce the financial losses that would otherwise be caused by treating patients who require more costly care and, therefore, reduce the incentives to under-serve these patients.

We make outlier payments for discharges in which an IPF's estimated total cost for a case exceeds a fixed dollar loss threshold amount (multiplied by the IPF's facility-level adjustments) plus the Federal per diem payment amount for the case.

In instances when the case qualifies for an outlier payment, we pay 80 percent of the difference between the estimated cost for the case and the adjusted threshold amount for days 1 through 9 of the stay (consistent with the median LOS for IPFs in FY 2002), and 60 percent of the difference for day 10 and thereafter. We established the 80 percent and 60 percent loss sharing ratios because we were concerned that a single ratio established at 80 percent (like other Medicare PPSs) might provide an incentive under the IPF per diem payment system to increase LOS in order to receive additional payments. After establishing the loss sharing ratios, we determined the current fixed dollar loss threshold amount of $6,200 through payment simulations designed to compute a dollar loss beyond which payments are estimated to meet the 2 percent outlier spending target.

a. Update to the Outlier Fixed Dollar Loss Threshold Amount

In accordance with the update methodology described in § 412.428(d), we are updating the fixed dollar loss threshold amount used under the IPF PPS outlier policy. Based on the regression analysis and payment simulations used to develop the IPF PPS, we established a 2 percent outlier policy which strikes an appropriate balance between protecting IPFs from extraordinarily costly cases while ensuring the adequacy of the Federal per diem base rate for all other cases that are not outlier cases.

We believe it is necessary to update the fixed dollar loss threshold amount because analysis of the latest available data (that is, FY 2005 IPF claims) and rate increases indicates adjusting the fixed dollar loss amount is necessary in order to maintain an outlier percentage that equals 2 percent of total estimated IPF PPS payments.

In the May 2006 IPF PPS Final Rule (71 FR 27072), we describe the process by which we calculate the outlier fixed dollar loss threshold amount. We will continue to use this process for RY 2008. We begin by simulating aggregate payments with and without an outlier policy, and applying an iterative process to a fixed dollar loss amount that will result in outlier payments being equal to 2 percent of total estimated payments under the simulation.

Based on this process, for RY 2008, the IPF PPS will use $6,488 as the fixed dollar loss threshold amount in the outlier calculation in order to maintain the 2 percent outlier policy.

b. Statistical Accuracy of Cost-to-Charge Ratios

As previously stated, under the IPF PPS, an outlier payment is made if an IPF's cost for a stay exceeds a fixed dollar loss threshold amount. In order to establish an IPF's cost for a particular case, we multiply the IPF's reported charges on the discharge bill by its overall cost to charge ratio (CCR). This approach to determining an IPF's cost is consistent with the approach used under the IPPS and other PPSs. In FY 2004, we implemented changes to the IPPS outlier policy used to determine CCRs for acute care hospitals because we became aware that payment vulnerabilities resulted in inappropriate outlier payments. Under the IPPS, we established a statistical measure of accuracy for CCRs in order to ensure that aberrant CCR data did not result in inappropriate outlier payments.

As we indicated in the November 2004 IPF PPS final rule, because we believe that the IPF outlier policy is susceptible to the same payment vulnerabilities as the IPPS, we adopted an approach to ensure the statistical accuracy of CCRs under the IPF PPS (69 FR 66961). Therefore, we adopted the following procedure in the November 2004 IPF PPS final rule:

- We calculated two national ceilings, one for IPFs located in rural areas and one for IPFs located in urban areas. We computed the ceilings by first calculating the national average and the standard deviation of the CCR for both urban and rural IPFs.

To determine the rural and urban ceilings, we multiplied each of the standard deviations by 3 and added the result to the appropriate national CCR average (either rural or urban). The upper threshold CCR for IPFs in RY 2008 is 1.7255 for rural IPFs, and 1.7947 for urban IPFs, based on CBSA-based geographic designations. If an IPF's CCR is above the applicable ceiling, the ratio is considered statistically inaccurate and we assign the appropriate national (either rural or urban) median CCR to the IPF.

We are applying the national CCRs to the following situations:

++ New IPFs that have not yet submitted their first Medicare cost report.

++ IPFs whose operating or capital CCR is in excess of 3 standard deviations above the corresponding national geometric mean (that is, above the ceiling).

++ Other IPFs for whom the Medicare contractor obtains inaccurate or incomplete data with which to calculate either an operating or capital CCR or both.

For new IPFs, we are using these national CCRs until the facility's actual CCR can be computed using the first tentatively settled or final settled cost report, which will then be used for the subsequent cost report period.

We are not making any changes to the procedures for ensuring the statistical accuracy of CCRs in RY 2008. However, we are updating the national urban and rural CCRs (ceilings and medians) for IPFs for RY 2008 based on the CCRs entered in the latest available IPF PPS Provider Specific File.

The national CCRs for RY 2008 are 0.71 for rural IPFs and 0.55 for urban IPFs and will be used in each of the three situations listed above. These calculations are based on the IPF's location (either urban or rural) using the CBSA-based geographic designations.

A complete discussion regarding the national median CCRs appears in the November 2004 IPF PPS final rule (69 FR 66961 through 66964).

2. Stop-Loss Provision

In the November 2004 IPF PPS final rule, we implemented a stop-loss policy that reduces financial risk to IPFs expected to experience substantial reductions in Medicare payments during the period of transition to the IPF PPS. This stop-loss policy guarantees that each facility receives total IPF PPS payments that are no less than 70 percent of its TEFRA payments, had the IPF PPS not been implemented.

This policy is applied to the IPF PPS portion of Medicare payments during the 3-year transition. During the first year, for transitioning IPFs, three-quarters of the payment was based on TEFRA and one-quarter on the IPF PPS payment amount. In the second year, one-half of the payment is based on TEFRA and one-half on the IPF PPS payment amount. In the third year, one-quarter of the payment is based on TEFRA and three-quarters on the IPF PPS. For cost report periods beginning on or after January 1, 2008, payments will be based 100 percent on the IPF PPS.

The combined effects of the transition and the stop-loss policies ensure that the total estimated IPF PPS payments are no less than 92.5 percent in the first year, 85 percent in the second year, and 77.5 percent in the third year. Under the 70 percent policy, in the third year, 25 percent of an IPF's payment is TEFRA payments, and 75 percent is IPF PPS payments, which are guaranteed to be at least 70 percent of the TEFRA payments. The resulting 77.5 percent of TEFRA payments is the sum of 25 percent and 75 percent times 70 percent (which equals 52.5 percent).

In the implementation year, the 70 percent of TEFRA payment stop-loss policy required a reduction in the standardized Federal per diem and ECT base rates of 0.39 percent in order to make the stop-loss payments budget neutral.

For the RY 2008, we are not making any changes to the stop-loss policy. We will continue to monitor expenditures under this policy to evaluate its effectiveness in targeting stop-loss payments to IPFs facing the greatest financial risk.

V. Waiver of Proposed Rulemaking

We ordinarily publish a notice of proposed rulemaking in the **Federal Register** to provide a period for public comment before the provisions of a rule take effect. We can waive this procedure, however, if we find good cause that a notice-and-comment procedure is impracticable, unnecessary, or contrary to the public

interest and we incorporate a statement of finding and its reasons in the notice.

We find it is unnecessary to undertake notice and comment rulemaking for the update in this notice because the update does not make any substantive changes in policy, but merely reflects the application of previously established methodologies. Therefore, under 5 U.S.C. § 553(b)(3)(B), for good cause, we waive notice and comment procedures.

VI. Collection of Information Requirement

This document does not impose information collection and recordkeeping requirements. Consequently, it need not be reviewed by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995.

VII. Regulatory Impact Analysis

A. Overall Impact

We have examined the impacts of this notice as required by Executive Order 12866 (September 1993, Regulatory Planning and Review), the Regulatory Flexibility Act (RFA) (September 19, 1980, Pub. L. 96–354), section 1102(b) of the Social Security Act, the Unfunded Mandates Reform Act of 1995 (UMRA) (Pub. L. 104–4), and Executive Order 13132.

Executive Order 12866 (as amended by Executive Order 13258, which merely reassigns responsibility of duties) directs agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). A regulatory impact analysis (RIA) must be prepared for major rules with economically significant effects ($100 million or more in any 1 year). For purposes of Title 5, United States Code, section 804(2), we treat this notice as a major rule because we estimate that the total impact of these changes would be an increase in payments of approximately $130 million.

The updates to the IPF labor-related share and wage indices are made in a budget neutral manner and thus have no effect on estimated costs to the Medicare program. Therefore, the estimated increased cost to the Medicare program is due to the update to the payment rates, which results in an increase of approximately $130 million in overall IPF payments from RY 2007 to RY 2008. The transition blend has a minimal impact on overall IPF payments in RY 2008. The distribution of these impacts is summarized in Table 15. The effect of the updates described in this notice result in an overall $130 million increase in payments from RY 2007 to RY 2008.

The RFA requires agencies to analyze options for regulatory relief of small entities. For purposes of the RFA, small entities include small businesses, nonprofit organizations, and small governmental jurisdictions. Most IPFs and most other providers and suppliers are considered small entities, either by nonprofit status or by having revenues of $6.5 million to $31.5 million in any 1 year. (For details, see the Small Business Administration's Interim final rule that set forth size standards at 70 FR 72577, December 6, 2005.) Because we lack data on individual hospital receipts, we cannot determine the number of small proprietary IPFs or the proportion of IPFs' revenue that is derived from Medicare payments. Therefore, we assume that all IPFs are considered small entities. As shown in Table 15, we estimate that the net revenue impact of this notice on all IPFs is to increase payments by about 3.1 percent. Thus, we anticipate that this notice may have a significant impact on a substantial number of small entities. However, the estimated impact of this notice is a net increase in revenues across all categories of IPFs, so we believe that this notice would not impose a significant burden on small entities. Medicare contractors are not considered to be small entities. Individuals and States are not included in the definition of a small entity.

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the provisions of section 604 of the RFA. With the exception of hospitals located in certain New England counties, for purposes of section 1102(b) of the Act, we previously defined a small rural hospital as a hospital with fewer than 100 beds that is located outside of a Metropolitan Statistical Area (MSA) or New England County Metropolitan Area (NECMA). However, under the new labor market definitions, we no longer employ NECMAs to define urban areas in New England. Therefore, for purposes of this analysis, we now define a small rural hospital as a hospital with fewer than 100 beds that is located outside of an MSA.

We have determined that this notice will have a substantial impact on hospitals classified as located in rural areas. As discussed earlier in this preamble, we will continue to provide a payment adjustment of 17 percent for IPFs located in rural areas. In addition, we have established a 3-year transition to the new system to allow IPFs an opportunity to adjust to the new system. Therefore, the impacts shown in Table 15 below reflect the adjustments that are designed to minimize or eliminate any potentially significant negative impact that the IPF PPS may otherwise have on small rural IPFs.

Section 202 of the Unfunded Mandates Reform Act of 1995 also requires that agencies assess anticipated costs and benefits before issuing any final rule whose mandates require spending in any 1 year of $100 million in 1995 dollars, updated annually for inflation. That threshold level is currently approximately $120 million. This notice will not mandate any requirements for State, local, or tribal governments, nor would it affect private sector costs.

Executive Order 13132 establishes certain requirements that an agency must meet when it promulgates a final rule that imposes substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications.

We have reviewed this notice under the criteria set forth in Executive Order 13132 and have determined that the notice will not have any substantial impact on the rights, roles, and responsibilities of State, local, or tribal governments.

B. Anticipated Effects of the Notice

We discuss below the historical background of the IPF PPS and the impact of this notice on the Federal Medicare budget and on IPFs.

1. Budgetary Impact

As discussed in the November 2004 and May 2006 IPF PPS final rules, we applied a budget neutrality factor to the Federal per diem and ECT base rates to ensure that total estimated payments under the IPF PPS in the implementation period would equal the amount that would have been paid if the IPF PPS had not been implemented. The budget neutrality factor includes the following components: Outlier adjustment, stop-loss adjustment, and the behavioral offset. We do not plan to change any of these adjustment factors or projections until we analyze IPF PPS data. In accordance with § 412.424(c)(3)(ii), we will evaluate the accuracy of the budget neutrality adjustment within the first 5 years after implementation of the payment system. We may make a one-time prospective adjustment to the Federal per diem and ECT base rates to account for differences

between the historical data on cost-based TEFRA payments (the basis of the budget neutrality adjustment) and estimates of TEFRA payments based on actual data from the first year of the IPF PPS. As part of that process, we will re-assess the accuracy of all of the factors impacting budget neutrality.

In addition, as discussed in section IV.C.1. of this notice, we are adopting the wage index and labor market share in a budget neutral manner by applying a wage index budget neutrality factor to the Federal per diem and ECT base rates. Thus, the budgetary impact to the Medicare program by the update of the IPF PPS will be due to the market basket updates (see section III.B. of this notice) and the planned update of the payment blend discussed below.

2. Impacts on Providers

To understand the impact of the changes to the IPF PPS discussed in this notice on providers, it is necessary to compare estimated payments under the IPF PPS rates and factors for RY 2008 to estimated payments under the IPF PPS rates and factors for RY 2007. The estimated payments for RY 2007 are a blend of: 50 percent of the facility-specific TEFRA payment and 50 percent of the IPF PPS payment with stop-loss payment. The estimated payments for the RY 2008 IPF PPS are a blend of: 25 percent of the facility-specific TEFRA payment and 75 percent of the IPF PPS payment with stop-loss payment. We determined the percent change of estimated RY 2008 IPF PPS payments to estimated RY 2007 IPF PPS payments for each category of IPFs. In addition, for each category of IPFs, we have included the estimated percent change in payments resulting from the wage index changes for the RY 2008 IPF PPS, the market basket update to IPF PPS payments, and the transition blend for the RY 2008 IPF PPS payment and the facility-specific TEFRA payment.

To illustrate the impacts of the final RY 2008 changes, our analysis begins with a RY 2007 baseline simulation model based on FY 2005 IPF payments inflated to the midpoint of RY 2007 using Global Insight's most recent forecast of the market basket update (see section III.B. of this notice); the estimated outlier payments in RY 2007; the estimated stop-loss payments in RY 2007; the CBSA designations for IPFs based on OMB's MSA definitions after June 2003; the FY 2006 pre-floor, pre-reclassified hospital wage index; the RY 2007 labor-market share; and the RY 2007 percentage amount of the rural adjustment. During the simulation, the outlier payment is maintained at the target of 2 percent of total PPS payments.

Each of the following changes is added incrementally to this baseline model in order for us to isolate the effects of each change:

- The FY 2007 pre-floor, pre-reclassified hospital wage index and RY 2008 final labor-related share.
- A blended market basket update of 3.2 percent resulting in an update to the hospital-specific TEFRA payment amount and an update to the IPF PPS base rates.
- The transition to 75 percent IPF PPS payment and 25 percent facility-specific TEFRA payment.
- Our final comparison illustrates the percent change in payments from RY 2007 (that is, July 1, 2006 to June 30, 2007) to RY 2008 (that is, July 1, 2007 to June 30, 2008).

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TABLE 15--Projected Impacts

Facility By Type (1)	Number of Facilities (2)	CBSA Wage Index and Labor Share (3)	Market Basket (4)	Transition Blend (5)	Total (6)
All Facilities	1,712	0.0%	3.2%	-0.1%	3.1%
Urban	1,345	0.0%	3.2%	0.0%	3.2%
Rural	367	0.1%	3.2%	-0.8%	2.4%
Urban unit	987	0.0%	3.2%	-2.0%	1.1%
Rural unit	317	0.1%	3.2%	-2.1%	1.1%
Freestanding IPFs By Type of Ownership:					
Urban Psychiatric Hospitals					

Facility By Type (1)	Number of Facilities (2)	CBSA Wage Index and Labor Share (3)	Market Basket (4)	Transition Blend (5)	Total (6)
Government	142	0.1%	3.2%	8.7%	12.4%
Non-Profit	79	-0.1%	3.2%	1.2%	4.4%
For-Profit	137	0.1%	3.2%	6.4%	9.9%
Rural Psychiatric Hospitals					
Government	39	0.1%	3.2%	8.8%	12.4%
Non-Profit	5	-0.3%	3.2%	-3.0%	-0.1%
For-Profit	6	0.3%	3.2%	5.9%	9.6%
By Teaching Status:					
Non-teaching	1,450	0.0%	3.2%	-0.1%	3.1%
Less than 10% interns and residents to beds	155	0.0%	3.2%	0.8%	4.0%
10% to 30% interns and residents to beds	72	0.0%	3.2%	-1.2%	2.0%
More than 30% interns and residents to beds	35	0.1%	3.2%	-1.9%	1.3%
By Region:					
New England	128	-0.2%	3.2%	-1.8%	1.2%
Mid-Atlantic	289	0.0%	3.2%	2.7%	6.0%
South Atlantic	221	-0.1%	3.2%	0.3%	3.4%
East North Central	301	0.1%	3.2%	-1.6%	1.7%
East South Central	155	0.0%	3.2%	-0.3%	2.8%
West North Central	167	0.0%	3.2%	-1.5%	1.7%
West South Central	211	-0.2%	3.2%	-1.1%	1.8%
Mountain	84	0.5%	3.2%	1.1%	4.9%
Pacific	148	0.1%	3.2%	-0.4%	3.0%
By Bed Size:					
Psychiatric Hospitals					
Under 12 beds	23	0.1%	3.2%	-2.0%	1.3%
12 to 25 beds	46	0.2%	3.2%	-0.2%	3.2%
25 to 50 beds	92	-0.1%	3.2%	3.7%	6.9%
50 to 75 beds	77	0.2%	3.2%	6.0%	9.6%
Over 75 beds	170	0.0%	3.2%	7.8%	11.3%
Psychiatric Units					
Under 12 beds	532	0.0%	3.2%	-4.4%	-1.3%
12 to 25 beds	451	0.0%	3.2%	-2.5%	0.6%
25 to 50 beds	223	-0.1%	3.2%	-1.1%	2.0%
50 to 75 beds	56	-0.1%	3.2%	0.1%	3.1%
Over 75 beds	42	0.0%	3.2%	1.5%	4.8%

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3. Results

Table 15 above displays the results of our analysis. The table groups IPFs into the categories listed below based on characteristics provided in the Provider of Services (POS) file, the IPF provider specific file, and cost report data from HCRIS:

- Facility Type
- Location
- Teaching Status Adjustment
- Census Region
- Size

The top row of the table shows the overall impact on the 1,712 IPFs included in the analysis.

In column 3, we present the effects of the budget-neutral update to the labor-related share and the wage index adjustment under the CBSA geographic area definitions announced by OMB in June 2003. This is a comparison of the simulated RY 2008 payments under the FY 2007 hospital wage index under CBSA classification and associated labor-related share to the simulated RY 2007 payments under the FY 2006 hospital wage index under CBSA classifications and associated labor-related share. There is no projected change in aggregate payments to IPFs, as indicated in the first row of column 3. There would, however, be small distributional effects among different categories of IPFs. For example, rural non-profit IPFs will experience a 0.3 percent decrease in payments. IPFs located in the Mountain region will receive the largest increase of 0.5 percent.

In column 4, we present the effects of the market basket update to the IPF PPS payments by applying the TEFRA and PPS updates to payments under the revised budget neutrality factor and labor-related share and wage index under CBSA classification. In the aggregate this update is projected to be a 3.2 percent increase in overall payments to IPFs.

In column 5, we present the effects of the payment change in transition blend percentages to the third year of the transition (TEFRA Rate Percentage = 25 percent, IPF PPS Federal Rate Percentage = 75 percent) from the second year of the transition (TEFRA Rate Percentage = 50 percent, IPF PPS Federal Rate Percentage = 50 percent) of the IPF PPS under the revised budget neutrality factor, labor-related share and wage index under CBSA classification, and TEFRA and PPS updates to RY 2007. The overall aggregate effect, across all hospital groups, is projected to be a 0.1 percent decrease in payments to IPFs. There are distributional effects of these changes among different categories of IPFs. Government psychiatric hospitals will receive the largest increase, with urban government hospitals receiving an 8.7 percent increase and rural government hospitals receiving an 8.8 percent increase. Alternatively, psychiatric units with fewer than 12 beds will receive the largest decrease of 4.4 percent.

Column 6 compares our estimates of the changes reflected in this notice for RY 2008, to our estimates of payments for RY 2007 (without these changes). This column reflects all RY 2008 changes relative to RY 2007 (as shown in columns 3 through 5). The average increase for all IPFs is approximately 3.1 percent. This increase includes the effects of the market basket updates resulting in a 3.2 percent increase in total RY 2008 payments and a 0.1 percent decrease in RY 2008 payments for the transition blend.

Overall, the largest payment increase is projected to be among government IPFs. Urban and rural government psychiatric hospitals will receive a 12.4 percent increase. Rural non-profit IPFs will receive a 0.1 percent decrease and psychiatric units with fewer than 12 beds will receive a 1.3 percent decrease.

It is important to note that the projected impact on government IPFs has decreased from last year even though they are receiving a greater percentage of PPS payments in their transition blend. We believe the primary reason for this decrease is that the first "year" under the IPF PPS was actually 18 months in order to move the update for the IPF PPS to July 1 each year. As a result, the market basket increase and payments were projected to be greater. Subsequent updates are for a 12-month period and are of a smaller magnitude.

In addition, the basis of payment under the TEFRA payment system was an IPF's fixed average cost per discharge. Thus, when the cost of a patient's care exceeded the average cost per discharge, psychiatric units of acute care hospitals that were not generally set up for patients with long-term psychiatric care needs often transferred these patients to government IPFs. Also, government and other freestanding IPFs that were not usually staffed to accommodate patients with comorbid medical conditions typically transferred these patients to psychiatric units of acute care hospitals. The IPF PPS, which provides comorbidity adjustments and is a per diem system, eliminates certain incentives to transfer. We believe that certain categories of IPFs are projected to receive increases in payment based on their ability to manage their longer-term patients as well as treat their more medically intensive cases.

4. Effect on the Medicare Program

Based on actuarial projections resulting from our experience with other PPSs, we estimate that Medicare spending (total Medicare program payments) for IPF services over the next 5 years would be as follows:

TABLE 16.—ESTIMATED PAYMENTS

Rate year	Dollars in millions
July 1, 2007 to June 30, 2008 ...	$4,245
July 1, 2008 to June 30, 2009 ...	4,440
July 1, 2009 to June 30, 2010 ...	4,606
July 1, 2010 to June 30, 2011 ...	4,803
July 1, 2011 to June 30, 2012 ...	5,032

These estimates are based on the current estimate of increases in the RPL market basket as follows:

- 3.2 percent for RY 2008;
- 3.2 percent for RY 2009;
- 2.8 percent for RY 2010;
- 3.1 percent for RY 2011; and
- 3.2 percent for RY 2012.

We estimate that there would be a change in fee-for-service Medicare beneficiary enrollment as follows:

- −0.1 percent in RY 2008;
- 0.7 percent in RY 2009;
- 0.3 percent in RY 2010;
- 0.6 percent in RY 2011; and
- 1.1 percent in RY 2012.

5. Effect on Beneficiaries

Under the IPF PPS, IPFs will receive payment based on the average resources consumed by patients for each day. We do not expect changes in the quality of care or access to services for Medicare beneficiaries under the RY 2008 IPF PPS. In fact, we believe that access to IPF services will be enhanced due to the patient and facility level adjustment factors, all of which are intended to adequately reimburse IPFs for expensive cases. Finally, the stop-loss policy is intended to assist IPFs during the transition.

C. Accounting Statement

As required by OMB Circular A–4 (available at *http://www.whitehouse.gov/omb/circulars/a004/a-4.pdf*), in Table 17 below, we have prepared an accounting statement showing the classification of the expenditures associated with the provisions of this notice. This table provides our best estimate of the increase in Medicare payments under the IPF PPS as a result of the changes presented in this notice based on the data for 1,712 IPFs in our database. All expenditures are classified as transfers to Medicare providers (that is, IPFs).

TABLE 17.— ACCOUNTING STATEMENT: CLASSIFICATION OF ESTIMATED EXPENDITURES, FROM THE 2007 IPF PPS RY TO THE 2008 IPF PPS RY

[In millions]

Category	Transfers
Annualized Monetized Transfers.	$130.
From Whom To Whom?	Federal Government To IPFs Medicare Providers.

D. Conclusion

This notice does not initiate any policy changes with regard to the IPF PPS; rather, it simply provides an update to the rates for RY 2008 using established methodologies. In accordance with the provisions of Executive Order 12866, this rule was previously reviewed by OMB.

(Catalog of Federal Domestic Assistance Program No. 93.778, Medical Assistance Program)

(Catalog of Federal Domestic Assistance Program No. 93.773, Medicare—Hospital Insurance; and Program No. 93.774, Medicare—Supplementary Medical Insurance Program)

Dated: March 8, 2007.

Leslie V. Norwalk,

Acting Administrator, Centers for Medicare & Medicaid Services.

Approved: March 29, 2007.

Michael O. Leavitt,

Secretary.

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Addendum A--Rate and Adjustment Factors

Per Diem Rate:

Federal Per Diem Base Rate	$614.99
Labor Share (0.75788)	$466.09
Non-Labor Share (0.24212)	$148.90

Fixed Dollar Loss Threshold Amount:

$6488

Wage Index Budget Neutrality Factor:

1.0014

National Rural and Urban Cost-to-Charge Ratio Medians and Ceilings:

Area	Median	Ceiling
Rural	0.71	1.7255
Urban	0.55	1.7947

Facility Adjustments:

Rural Adjustment Factor	1.17
Teaching Adjustment Factor	0.5150
Wage Index	Pre-reclassified Hospital Wage Index (FY2007)

Cost of Living Adjustments (COLAs):

Alaska	
Anchorage	1.24
Fairbanks	1.24
Juneau	1.24
Rest of Alaska	1.25
Hawaii	
Honolulu County	1.25
Hawaii County	1.17
Kauai County	1.25
Maui County	1.25
Kalawao County	1.25

Patient Adjustments:

ECT – Per Treatment	$264.77

Variable Per Diem Adjustments:

	Adjustment Factor
Day 1 -- Facility Without a Qualifying Emergency Department	1.19
Day 1 -- Facility With a Qualifying Emergency Department	1.31
Day 2	1.12
Day 3	1.08
Day 4	1.05
Day 5	1.04
Day 6	1.02
Day 7	1.01
Day 8	1.01
Day 9	1.00
Day 10	1.00
Day 11	0.99
Day 12	0.99
Day 13	0.99
Day 14	0.99
Day 15	0.98
Day 16	0.97
Day 17	0.97
Day 18	0.96
Day 19	0.95
Day 20	0.95
Day 21	0.95
After Day 21	0.92

Age Adjustments:

Age (in years)	Adjustment Factor
Under 45	1.00
45 and under 50	1.01
50 and under 55	1.02
55 and under 60	1.04
60 and under 65	1.07
65 and under 70	1.10
70 and under 75	1.13
75 and under 80	1.15
80 and over	1.17

DRG Adjustments:

DRG	DRG Definition	Adjustment Factor
DRG 424	Procedure with principal diagnosis of mental illness	1.22
DRG 425	Acute adjustment reaction	1.05
DRG 426	Depressive neurosis	0.99
DRG 427	Neurosis, except depressive	1.02
DRG 428	Disorders of personality	1.02
DRG 429	Organic disturbances	1.03

DRG	DRG Definition	Adjustment Factor
DRG 430	Psychosis	1.00
DRG 431	Childhood disorders	0.99
DRG 432	Other mental disorders	0.92
DRG 433	Alcohol/Drug use Leave against Medical Advice (LAMA)	0.97
DRG 521	Alcohol/Drug use with comorbid conditions	1.02
DRG 522	Alcohol/Drug use without comorbid conditions	0.98
DRG 523	Alcohol/Drug use without rehabilitation	0.88
DRG 12	Degenerative nervous system disorders	1.05
DRG 23	Non-traumatic stupor & coma	1.07

Comorbidity Adjustments:

Comorbidity	Adjustment Factor
Developmental Disabilities	1.04
Coagulation Factor Deficit	1.13
Tracheostomy	1.06
Eating and Conduct Disorders	1.12
Infectious Diseases	1.07
Renal Failure, Acute	1.11
Renal Failure, Chronic	1.11
Oncology Treatment	1.07
Uncontrolled Diabetes Mellitus	1.05
Severe Protein Malnutrition	1.13
Drug/Alcohol Induced Mental Disorders	1.03
Cardiac Conditions	1.11
Gangrene	1.10
Chronic Obstructive Pulmonary Disease	1.12
Artificial Openings – Digestive & Urinary	1.08
Severe Musculoskeletal & Connective Tissue Diseases	1.09
Poisoning	1.11

Addendum B—RY 2008 CBSA Wage Index Tables

In this addendum, we provide Tables 1 and 2 which indicate the CBSA-based wage index values for urban and rural providers.

Table 1--RY 2008 Wage Index For Urban Areas Based On CBSA Labor Market Areas

CBSA Code	Urban Area (Constituent Counties)	Wage Index
10180	Abilene, TX Callahan County, TX Jones County, TX Taylor County, TX	0.8000
10380	Aguadilla-Isabela-San Sebastián, PR Aguada Municipio, PR Aguadilla Municipio, PR Añasco Municipio, PR Isabela Municipio, PR Lares Municipio, PR Moca Municipio, PR Rincón Municipio, PR San Sebastián Municipio, PR	0.3915
10420	Akron, OH Portage County, OH Summit County, OH	0.8654
10500	Albany, GA Baker County, GA Dougherty County, GA Lee County, GA Terrell County, GA Worth County, GA	0.8991
10580	Albany-Schenectady-Troy, NY Albany County, NY Rensselaer County, NY Saratoga County, NY Schenectady County, NY Schoharie County, NY	0.8720

CBSA Code	Urban Area (Constituent Counties)	Wage Index
10740	Albuquerque, NM Bernalillo County, NM Sandoval County, NM Torrance County, NM Valencia County, NM	0.9458
10780	Alexandria, LA Grant Parish, LA Rapides Parish, LA	0.8006
10900	Allentown-Bethlehem-Easton, PA-NJ Warren County, NJ Carbon County, PA Lehigh County, PA Northampton County, PA	0.9947
11020	Altoona, PA Blair County, PA	0.8812
11100	Amarillo, TX Armstrong County, TX Carson County, TX Potter County, TX Randall County, TX	0.9169
11180	Ames, IA Story County, IA	0.9760
11260	Anchorage, AK Anchorage Municipality, AK Matanuska-Susitna Borough, AK	1.2023
11300	Anderson, IN Madison County, IN	0.8681
11340	Anderson, SC Anderson County, SC	0.9017
11460	Ann Arbor, MI Washtenaw County, MI	1.0826
11500	Anniston-Oxford, AL Calhoun County, AL	0.7770
11540	Appleton, WI Calumet County, WI Outagamie County, WI	0.9455

CBSA Code	Urban Area (Constituent Counties)	Wage Index
11700	Asheville, NC Buncombe County, NC Haywood County, NC Henderson County, NC Madison County, NC	0.9216
12020	Athens-Clarke County, GA Clarke County, GA Madison County, GA Oconee County, GA Oglethorpe County, GA	0.9856
12060	Atlanta-Sandy Springs-Marietta, GA Barrow County, GA Bartow County, GA Butts County, GA Carroll County, GA Cherokee County, GA Clayton County, GA Cobb County, GA Coweta County, GA Dawson County, GA DeKalb County, GA Douglas County, GA Fayette County, GA Forsyth County, GA Fulton County, GA Gwinnett County, GA Haralson County, GA Heard County, GA Henry County, GA Jasper County, GA Lamar County, GA Meriwether County, GA Newton County, GA Paulding County, GA Pickens County, GA Pike County, GA Rockdale County, GA Spalding County, GA Walton County, GA	0.9762
12100	Atlantic City, NJ Atlantic County, NJ	1.1831

CBSA Code	Urban Area (Constituent Counties)	Wage Index
12220	Auburn-Opelika, AL Lee County, AL	0.8096
12260	Augusta-Richmond County, GA-SC Burke County, GA Columbia County, GA McDuffie County, GA Richmond County, GA Aiken County, SC Edgefield County, SC	0.9667
12420	Austin-Round Rock, TX Bastrop County, TX Caldwell County, TX Hays County, TX Travis County, TX Williamson County, TX	0.9344
12540	Bakersfield, CA Kern County, CA	1.0725
12580	Baltimore-Towson, MD Anne Arundel County, MD Baltimore County, MD Carroll County, MD Harford County, MD Howard County, MD Queen Anne's County, MD Baltimore City, MD	1.0088
12620	Bangor, ME Penobscot County, ME	0.9711
12700	Barnstable Town, MA Barnstable County, MA	1.2539
12940	Baton Rouge, LA Ascension Parish, LA East Baton Rouge Parish, LA East Feliciana Parish, LA Iberville Parish, LA Livingston Parish, LA Pointe Coupee Parish, LA St. Helena Parish, LA West Baton Rouge Parish, LA West Feliciana Parish, LA	0.8084
12980	Battle Creek, MI Calhoun County, MI	0.9762

CBSA Code	Urban Area (Constituent Counties)	Wage Index
13020	Bay City, MI Bay County, MI	0.9251
13140	Beaumont-Port Arthur, TX Hardin County, TX Jefferson County, TX Orange County, TX	0.8595
13380	Bellingham, WA Whatcom County, WA	1.1104
13460	Bend, OR Deschutes County, OR	1.0743
13644	Bethesda-Frederick-Gaithersburg, MD Frederick County, MD Montgomery County, MD	1.0903
13740	Billings, MT Carbon County, MT Yellowstone County, MT	0.8712
13780	Binghamton, NY Broome County, NY Tioga County, NY	0.8786
13820	Birmingham-Hoover, AL Bibb County, AL Blount County, AL Chilton County, AL Jefferson County, AL St. Clair County, AL Shelby County, AL Walker County, AL	0.8894
13900	Bismarck, ND Burleigh County, ND Morton County, ND	0.7240
13980	Blacksburg-Christiansburg-Radford, VA Giles County, VA Montgomery County, VA Pulaski County, VA Radford City, VA	0.8213

CBSA Code	Urban Area (Constituent Counties)	Wage Index
14020	Bloomington, IN Greene County, IN Monroe County, IN Owen County, IN	0.8533
14060	Bloomington-Normal, IL McLean County, IL	0.8944
14260	Boise City-Nampa, ID Ada County, ID Boise County, ID Canyon County, ID Gem County, ID Owyhee County, ID	0.9401
14484	Boston-Quincy, MA Norfolk County, MA Plymouth County, MA Suffolk County, MA	1.1679
14500	Boulder, CO Boulder County, CO	1.0350
14540	Bowling Green, KY Edmonson County, KY Warren County, KY	0.8148
14740	Bremerton-Silverdale, WA Kitsap County, WA	1.0913
14860	Bridgeport-Stamford-Norwalk, CT Fairfield County, CT	1.2659
15180	Brownsville-Harlingen, TX Cameron County, TX	0.9430
15260	Brunswick, GA Brantley County, GA Glynn County, GA McIntosh County, GA	1.0164
15380	Buffalo-Niagara Falls, NY Erie County, NY Niagara County, NY	0.9424
15500	Burlington, NC Alamance County, NC	0.8674

CBSA Code	Urban Area (Constituent Counties)	Wage Index
15540	Burlington-South Burlington, VT Chittenden County, VT Franklin County, VT Grand Isle County, VT	0.9474
15764	Cambridge-Newton-Framingham, MA Middlesex County, MA	1.0970
15804	Camden, NJ Burlington County, NJ Camden County, NJ Gloucester County, NJ	1.0392
15940	Canton-Massillon, OH Carroll County, OH Stark County, OH	0.9031
15980	Cape Coral-Fort Myers, FL Lee County, FL	0.9342
16180	Carson City, NV Carson City, NV	1.0025
16220	Casper, WY Natrona County, WY	0.9145
16300	Cedar Rapids, IA Benton County, IA Jones County, IA Linn County, IA	0.8888
16580	Champaign-Urbana, IL Champaign County, IL Ford County, IL Piatt County, IL	0.9644
16620	Charleston, WV Boone County, WV Clay County, WV Kanawha County, WV Lincoln County, WV Putnam County, WV	0.8542

CBSA Code	Urban Area (Constituent Counties)	Wage Index
16700	Charleston-North Charleston, SC Berkeley County, SC Charleston County, SC Dorchester County, SC	0.9145
16740	Charlotte-Gastonia-Concord, NC-SC Anson County, NC Cabarrus County, NC Gaston County, NC Mecklenburg County, NC Union County, NC York County, SC	0.9554
16820	Charlottesville, VA Albemarle County, VA Fluvanna County, VA Greene County, VA Nelson County, VA Charlottesville City, VA	1.0125
16860	Chattanooga, TN-GA Catoosa County, GA Dade County, GA Walker County, GA Hamilton County, TN Marion County, TN Sequatchie County, TN	0.8948
16940	Cheyenne, WY Laramie County, WY	0.9060
16974	Chicago-Naperville-Joliet, IL Cook County, IL DeKalb County, IL DuPage County, IL Grundy County, IL Kane County, IL Kendall County, IL McHenry County, IL Will County, IL	1.0751
17020	Chico, CA Butte County, CA	1.1053

CBSA Code	Urban Area (Constituent Counties)	Wage Index
17140	Cincinnati-Middletown, OH-KY-IN Dearborn County, IN Franklin County, IN Ohio County, IN Boone County, KY Bracken County, KY Campbell County, KY Gallatin County, KY Grant County, KY Kenton County, KY Pendleton County, KY Brown County, OH Butler County, OH Clermont County, OH Hamilton County, OH Warren County, OH	0.9601
17300	Clarksville, TN-KY Christian County, KY Trigg County, KY Montgomery County, TN Stewart County, TN	0.8436
17420	Cleveland, TN Bradley County, TN Polk County, TN	0.8109
17460	Cleveland-Elyria-Mentor, OH Cuyahoga County, OH Geauga County, OH Lake County, OH Lorain County, OH Medina County, OH	0.9400
17660	Coeur d'Alene, ID Kootenai County, ID	0.9344
17780	College Station-Bryan, TX Brazos County, TX Burleson County, TX Robertson County, TX	0.9045
17820	Colorado Springs, CO El Paso County, CO Teller County, CO	0.9701

CBSA Code	Urban Area (Constituent Counties)	Wage Index
17860	Columbia, MO Boone County, MO Howard County, MO	0.8542
17900	Columbia, SC Calhoun County, SC Fairfield County, SC Kershaw County, SC Lexington County, SC Richland County, SC Saluda County, SC	0.8933
17980	Columbus, GA-AL Russell County, AL Chattahoochee County, GA Harris County, GA Marion County, GA Muscogee County, GA	0.8239
18020	Columbus, IN Bartholomew County, IN	0.9318
18140	Columbus, OH Delaware County, OH Fairfield County, OH Franklin County, OH Licking County, OH Madison County, OH Morrow County, OH Pickaway County, OH Union County, OH	1.0107
18580	Corpus Christi, TX Aransas County, TX Nueces County, TX San Patricio County, TX	0.8564
18700	Corvallis, OR Benton County, OR	1.1546
19060	Cumberland, MD-WV Allegany County, MD Mineral County, WV	0.8446

CBSA Code	Urban Area (Constituent Counties)	Wage Index
19124	Dallas-Plano-Irving, TX Collin County, TX Dallas County, TX Delta County, TX Denton County, TX Ellis County, TX Hunt County, TX Kaufman County, TX Rockwall County, TX	1.0075
19140	Dalton, GA Murray County, GA Whitfield County, GA	0.9093
19180	Danville, IL Vermilion County, IL	0.9266
19260	Danville, VA Pittsylvania County, VA Danville City, VA	0.8451
19340	Davenport-Moline-Rock Island, IA-IL Henry County, IL Mercer County, IL Rock Island County, IL Scott County, IA	0.8846
19380	Dayton, OH Greene County, OH Miami County, OH Montgomery County, OH Preble County, OH	0.9037
19460	Decatur, AL Lawrence County, AL Morgan County, AL	0.8159
19500	Decatur, IL Macon County, IL	0.8172
19660	Deltona-Daytona Beach-Ormond Beach, FL Volusia County, FL	0.9263

CBSA Code	Urban Area (Constituent Counties)	Wage Index
19740	Denver-Aurora, CO Adams County, CO Arapahoe County, CO Broomfield County, CO Clear Creek County, CO Denver County, CO Douglas County, CO Elbert County, CO Gilpin County, CO Jefferson County, CO Park County, CO	1.0930
19780	Des Moines-West Des Moines, IA Dallas County, IA Guthrie County, IA Madison County, IA Polk County, IA Warren County, IA	0.9214
19804	Detroit-Livonia-Dearborn, MI Wayne County, MI	1.0281
20020	Dothan, AL Geneva County, AL Henry County, AL Houston County, AL	0.7381
20100	Dover, DE Kent County, DE	0.9847
20220	Dubuque, IA Dubuque County, IA	0.9133
20260	Duluth, MN-WI Carlton County, MN St. Louis County, MN Douglas County, WI	1.0042
20500	Durham, NC Chatham County, NC Durham County, NC Orange County, NC Person County, NC	0.9826
20740	Eau Claire, WI Chippewa County, WI Eau Claire County, WI	0.9630

CBSA Code	Urban Area (Constituent Counties)	Wage Index
20764	Edison, NJ Middlesex County, NJ Monmouth County, NJ Ocean County, NJ Somerset County, NJ	1.1190
20940	El Centro, CA Imperial County, CA	0.9076
21060	Elizabethtown, KY Hardin County, KY Larue County, KY	0.8697
21140	Elkhart-Goshen, IN Elkhart County, IN	0.9426
21300	Elmira, NY Chemung County, NY	0.8240
21340	El Paso, TX El Paso County, TX	0.9053
21500	Erie, PA Erie County, PA	0.8827
21604	Essex County, MA Essex County, MA	1.0418
21660	Eugene-Springfield, OR Lane County, OR	1.0876
21780	Evansville, IN-KY Gibson County, IN Posey County, IN Vanderburgh County, IN Warrick County, IN Henderson County, KY Webster County, KY	0.9071
21820	Fairbanks, AK Fairbanks North Star Borough, AK	1.1059
21940	Fajardo, PR Ceiba Municipio, PR Fajardo Municipio, PR Luquillo Municipio, PR	0.4036

CBSA Code	Urban Area (Constituent Counties)	Wage Index
22020	Fargo, ND-MN Cass County, ND Clay County, MN	0.8250
22140	Farmington, NM San Juan County, NM	0.8589
22180	Fayetteville, NC Cumberland County, NC Hoke County, NC	0.8945
22220	Fayetteville-Springdale-Rogers, AR-MO Benton County, AR Madison County, AR Washington County, AR McDonald County, MO	0.8865
22380	Flagstaff, AZ Coconino County, AZ	1.1601
22420	Flint, MI Genesee County, MI	1.0969
22500	Florence, SC Darlington County, SC Florence County, SC	0.8388
22520	Florence-Muscle Shoals, AL Colbert County, AL Lauderdale County, AL	0.7843
22540	Fond du Lac, WI Fond du Lac County, WI	1.0063
22660	Fort Collins-Loveland, CO Larimer County, CO	0.9544
22744	Fort Lauderdale-Pompano Beach-Deerfield Beach, FL Broward County, FL	1.0133
22900	Fort Smith, AR-OK Crawford County, AR Franklin County, AR Sebastian County, AR Le Flore County, OK Sequoyah County, OK	0.7731

CBSA Code	Urban Area (Constituent Counties)	Wage Index
23020	Fort Walton Beach-Crestview-Destin, FL Okaloosa County, FL	0.8643
23060	Fort Wayne, IN Allen County, IN Wells County, IN Whitley County, IN	0.9517
23104	Fort Worth-Arlington, TX Johnson County, TX Parker County, TX Tarrant County, TX Wise County, TX	0.9569
23420	Fresno, CA Fresno County, CA	1.0943
23460	Gadsden, AL Etowah County, AL	0.8066
23540	Gainesville, FL Alachua County, FL Gilchrist County, FL	0.9277
23580	Gainesville, GA Hall County, GA	0.8958
23844	Gary, IN Jasper County, IN Lake County, IN Newton County, IN Porter County, IN	0.9334
24020	Glens Falls, NY Warren County, NY Washington County, NY	0.8324
24140	Goldsboro, NC Wayne County, NC	0.9171
24220	Grand Forks, ND-MN Polk County, MN Grand Forks County, ND	0.7949
24300	Grand Junction, CO Mesa County, CO	0.9668

CBSA Code	Urban Area (Constituent Counties)	Wage Index
24340	Grand Rapids-Wyoming, MI Barry County, MI Ionia County, MI Kent County, MI Newaygo County, MI	0.9455
24500	Great Falls, MT Cascade County, MT	0.8598
24540	Greeley, CO Weld County, CO	0.9602
24580	Green Bay, WI Brown County, WI Kewaunee County, WI Oconto County, WI	0.9787
24660	Greensboro-High Point, NC Guilford County, NC Randolph County, NC Rockingham County, NC	0.8866
24780	Greenville, NC Greene County, NC Pitt County, NC	0.9432
24860	Greenville, SC Greenville County, SC Laurens County, SC Pickens County, SC	0.9804
25020	Guayama, PR Arroyo Municipio, PR Guayama Municipio, PR Patillas Municipio, PR	0.3235
25060	Gulfport-Biloxi, MS Hancock County, MS Harrison County, MS Stone County, MS	0.8915

CBSA Code	Urban Area (Constituent Counties)	Wage Index
25180	Hagerstown-Martinsburg, MD-WV Washington County, MD Berkeley County, WV Morgan County, WV	0.9038
25260	Hanford-Corcoran, CA Kings County, CA	1.0282
25420	Harrisburg-Carlisle, PA Cumberland County, PA Dauphin County, PA Perry County, PA	0.9402
25500	Harrisonburg, VA Rockingham County, VA Harrisonburg City, VA	0.9073
25540	Hartford-West Hartford-East Hartford, CT Hartford County, CT Litchfield County, CT Middlesex County, CT Tolland County, CT	1.0894
25620	Hattiesburg, MS Forrest County, MS Lamar County, MS Perry County, MS	0.7430
25860	Hickory-Lenoir-Morganton, NC Alexander County, NC Burke County, NC Caldwell County, NC Catawba County, NC	0.9010
25980	Hinesville-Fort Stewart, GA[1] Liberty County, GA Long County, GA	0.9178
26100	Holland-Grand Haven, MI Ottawa County, MI	0.9163
26180	Honolulu, HI Honolulu County, HI	1.1096

CBSA Code	Urban Area (Constituent Counties)	Wage Index
26300	Hot Springs, AR Garland County, AR	0.8782
26380	Houma-Bayou Cane-Thibodaux, LA Lafourche Parish, LA Terrebonne Parish, LA	0.8082
26420	Houston-Sugar Land-Baytown, TX Austin County, TX Brazoria County, TX Chambers County, TX Fort Bend County, TX Galveston County, TX Harris County, TX Liberty County, TX Montgomery County, TX San Jacinto County, TX Waller County, TX	1.0008
26580	Huntington-Ashland, WV-KY-OH Boyd County, KY Greenup County, KY Lawrence County, OH Cabell County, WV Wayne County, WV	0.8997
26620	Huntsville, AL Limestone County, AL Madison County, AL	0.9007
26820	Idaho Falls, ID Bonneville County, ID Jefferson County, ID	0.9088

CBSA Code	Urban Area (Constituent Counties)	Wage Index
26900	Indianapolis-Carmel, IN Boone County, IN Brown County, IN Hamilton County, IN Hancock County, IN Hendricks County, IN Johnson County, IN Marion County, IN Morgan County, IN Putnam County, IN Shelby County, IN	0.9895
26980	Iowa City, IA Johnson County, IA Washington County, IA	0.9714
27060	Ithaca, NY Tompkins County, NY	0.9928
27100	Jackson, MI Jackson County, MI	0.9560
27140	Jackson, MS Copiah County, MS Hinds County, MS Madison County, MS Rankin County, MS Simpson County, MS	0.8271
27180	Jackson, TN Chester County, TN Madison County, TN	0.8853
27260	Jacksonville, FL Baker County, FL Clay County, FL Duval County, FL Nassau County, FL St. Johns County, FL	0.9165
27340	Jacksonville, NC Onslow County, NC	0.8231

CBSA Code	Urban Area (Constituent Counties)	Wage Index
27500	Janesville, WI Rock County, WI	0.9655
27620	Jefferson City, MO Callaway County, MO Cole County, MO Moniteau County, MO Osage County, MO	0.8332
27740	Johnson City, TN Carter County, TN Unicoi County, TN Washington County, TN	0.8043
27780	Johnstown, PA Cambria County, PA	0.8620
27860	Jonesboro, AR Craighead County, AR Poinsett County, AR	0.7662
27900	Joplin, MO Jasper County, MO Newton County, MO	0.8605
28020	Kalamazoo-Portage, MI Kalamazoo County, MI Van Buren County, MI	1.0704
28100	Kankakee-Bradley, IL Kankakee County, IL	1.0083

CBSA Code	Urban Area (Constituent Counties)	Wage Index
28140	Kansas City, MO-KS Franklin County, KS Johnson County, KS Leavenworth County, KS Linn County, KS Miami County, KS Wyandotte County, KS Bates County, MO Caldwell County, MO Cass County, MO Clay County, MO Clinton County, MO Jackson County, MO Lafayette County, MO Platte County, MO Ray County, MO	0.9495
28420	Kennewick-Richland-Pasco, WA Benton County, WA Franklin County, WA	1.0343
28660	Killeen-Temple-Fort Hood, TX Bell County, TX Coryell County, TX Lampasas County, TX	0.8901
28700	Kingsport-Bristol-Bristol, TN-VA Hawkins County, TN Sullivan County, TN Bristol City, VA Scott County, VA Washington County, VA	0.7985
28740	Kingston, NY Ulster County, NY	0.9367
28940	Knoxville, TN Anderson County, TN Blount County, TN Knox County, TN Loudon County, TN Union County, TN	0.8249

CBSA Code	Urban Area (Constituent Counties)	Wage Index
29020	Kokomo, IN Howard County, IN Tipton County, IN	0.9669
29100	La Crosse, WI-MN Houston County, MN La Crosse County, WI	0.9426
29140	Lafayette, IN Benton County, IN Carroll County, IN Tippecanoe County, IN	0.8931
29180	Lafayette, LA Lafayette Parish, LA St. Martin Parish, LA	0.8289
29340	Lake Charles, LA Calcasieu Parish, LA Cameron Parish, LA	0.7914
29404	Lake County-Kenosha County, IL-WI Lake County, IL Kenosha County, WI	1.0570
29460	Lakeland, FL Polk County, FL	0.8879
29540	Lancaster, PA Lancaster County, PA	0.9589
29620	Lansing-East Lansing, MI Clinton County, MI Eaton County, MI Ingham County, MI	1.0088
29700	Laredo, TX Webb County, TX	0.7811
29740	Las Cruces, NM Dona Ana County, NM	0.9273
29820	Las Vegas-Paradise, NV Clark County, NV	1.1430

CBSA Code	Urban Area (Constituent Counties)	Wage Index
29940	Lawrence, KS Douglas County, KS	0.8365
30020	Lawton, OK Comanche County, OK	0.8065
30140	Lebanon, PA Lebanon County, PA	0.8679
30300	Lewiston, ID-WA Nez Perce County, ID Asotin County, WA	0.9853
30340	Lewiston-Auburn, ME Androscoggin County, ME	0.9126
30460	Lexington-Fayette, KY Bourbon County, KY Clark County, KY Fayette County, KY Jessamine County, KY Scott County, KY Woodford County, KY	0.9181
30620	Lima, OH Allen County, OH	0.9042
30700	Lincoln, NE Lancaster County, NE Seward County, NE	1.0092
30780	Little Rock-North Little Rock, AR Faulkner County, AR Grant County, AR Lonoke County, AR Perry County, AR Pulaski County, AR Saline County, AR	0.8890
30860	Logan, UT-ID Franklin County, ID Cache County, UT	0.9022

CBSA Code	Urban Area (Constituent Counties)	Wage Index
30980	Longview, TX Gregg County, TX Rusk County, TX Upshur County, TX	0.8788
31020	Longview, WA Cowlitz County, WA	1.0011
31084	Los Angeles-Long Beach-Glendale, CA Los Angeles County, CA	1.1760
31140	Louisville, KY-IN Clark County, IN Floyd County, IN Harrison County, IN Washington County, IN Bullitt County, KY Henry County, KY Jefferson County, KY Meade County, KY Nelson County, KY Oldham County, KY Shelby County, KY Spencer County, KY Trimble County, KY	0.9118
31180	Lubbock, TX Crosby County, TX Lubbock County, TX	0.8613
31340	Lynchburg, VA Amherst County, VA Appomattox County, VA Bedford County, VA Campbell County, VA Bedford City, VA Lynchburg City, VA	0.8694

CBSA Code	Urban Area (Constituent Counties)	Wage Index
31420	Macon, GA Bibb County, GA Crawford County, GA Jones County, GA Monroe County, GA Twiggs County, GA	0.9519
31460	Madera, CA Madera County, CA	0.8154
31540	Madison, WI Columbia County, WI Dane County, WI Iowa County, WI	1.0840
31700	Manchester-Nashua, NH Hillsborough County, NH Merrimack County, NH	1.0243
31900	Mansfield, OH[1] Richland County, OH	0.9271
32420	Mayagüez, PR Hormigueros Municipio, PR Mayagüez Municipio, PR	0.3848
32580	McAllen-Edinburg-Pharr, TX Hidalgo County, TX	0.8773
32780	Medford, OR Jackson County, OR	1.0818
32820	Memphis, TN-MS-AR Crittenden County, AR DeSoto County, MS Marshall County, MS Tate County, MS Tunica County, MS Fayette County, TN Shelby County, TN Tipton County, TN	0.9373
32900	Merced, CA Merced County, CA	1.1471

CBSA Code	Urban Area (Constituent Counties)	Wage Index
33124	Miami-Miami Beach-Kendall, FL Miami-Dade County, FL	0.9812
33140	Michigan City-La Porte, IN LaPorte County, IN	0.9118
33260	Midland, TX Midland County, TX	0.9786
33340	Milwaukee-Waukesha-West Allis, WI Milwaukee County, WI Ozaukee County, WI Washington County, WI Waukesha County, WI	1.0218
33460	Minneapolis-St. Paul-Bloomington, MN-WI Anoka County, MN Carver County, MN Chisago County, MN Dakota County, MN Hennepin County, MN Isanti County, MN Ramsey County, MN Scott County, MN Sherburne County, MN Washington County, MN Wright County, MN Pierce County, WI St. Croix County, WI	1.0946
33540	Missoula, MT Missoula County, MT	0.8928
33660	Mobile, AL Mobile County, AL	0.7913
33700	Modesto, CA Stanislaus County, CA	1.1729
33740	Monroe, LA Ouachita Parish, LA Union Parish, LA	0.7997
33780	Monroe, MI Monroe County, MI	0.9707

CBSA Code	Urban Area (Constituent Counties)	Wage Index
33860	Montgomery, AL Autauga County, AL Elmore County, AL Lowndes County, AL Montgomery County, AL	0.8009
34060	Morgantown, WV Monongalia County, WV Preston County, WV	0.8423
34100	Morristown, TN Grainger County, TN Hamblen County, TN Jefferson County, TN	0.7933
34580	Mount Vernon-Anacortes, WA Skagit County, WA	1.0517
34620	Muncie, IN Delaware County, IN	0.8562
34740	Muskegon-Norton Shores, MI Muskegon County, MI	0.9941
34820	Myrtle Beach-Conway-North Myrtle Beach, SC Horry County, SC	0.8810
34900	Napa, CA Napa County, CA	1.3374
34940	Naples-Marco Island, FL Collier County, FL	0.9941
34980	Nashville-Davidson--Murfreesboro, TN Cannon County, TN Cheatham County, TN Davidson County, TN Dickson County, TN Hickman County, TN Macon County, TN Robertson County, TN Rutherford County, TN Smith County, TN Sumner County, TN Trousdale County, TN Williamson County, TN Wilson County, TN	0.9847

CBSA Code	Urban Area (Constituent Counties)	Wage Index
35004	Nassau-Suffolk, NY Nassau County, NY Suffolk County, NY	1.2662
35084	Newark-Union, NJ-PA Essex County, NJ Hunterdon County, NJ Morris County, NJ Sussex County, NJ Union County, NJ Pike County, PA	1.1892
35300	New Haven-Milford, CT New Haven County, CT	1.1953
35380	New Orleans-Metairie-Kenner, LA Jefferson Parish, LA Orleans Parish, LA Plaquemines Parish, LA St. Bernard Parish, LA St. Charles Parish, LA St. John the Baptist Parish, LA St. Tammany Parish, LA	0.8831
35644	New York-Wayne-White Plains, NY-NJ Bergen County, NJ Hudson County, NJ Passaic County, NJ Bronx County, NY Kings County, NY New York County, NY Putnam County, NY Queens County, NY Richmond County, NY Rockland County, NY Westchester County, NY	1.3177
35660	Niles-Benton Harbor, MI Berrien County, MI	0.8915
35980	Norwich-New London, CT New London County, CT	1.1932
36084	Oakland-Fremont-Hayward, CA Alameda County, CA Contra Costa County, CA	1.5819

CBSA Code	Urban Area (Constituent Counties)	Wage Index
36100	Ocala, FL Marion County, FL	0.8867
36140	Ocean City, NJ Cape May County, NJ	1.0472
36220	Odessa, TX Ector County, TX	1.0073
36260	Ogden-Clearfield, UT Davis County, UT Morgan County, UT Weber County, UT	0.8995
36420	Oklahoma City, OK Canadian County, OK Cleveland County, OK Grady County, OK Lincoln County, OK Logan County, OK McClain County, OK Oklahoma County, OK	0.8843
36500	Olympia, WA Thurston County, WA	1.1081
36540	Omaha-Council Bluffs, NE-IA Harrison County, IA Mills County, IA Pottawattamie County, IA Cass County, NE Douglas County, NE Sarpy County, NE Saunders County, NE Washington County, NE	0.9450
36740	Orlando, FL Lake County, FL Orange County, FL Osceola County, FL Seminole County, FL	0.9452
36780	Oshkosh-Neenah, WI Winnebago County, WI	0.9315

CBSA Code	Urban Area (Constituent Counties)	Wage Index
36980	Owensboro, KY Daviess County, KY Hancock County, KY McLean County, KY	0.8748
37100	Oxnard-Thousand Oaks-Ventura, CA Ventura County, CA	1.1546
37340	Palm Bay-Melbourne-Titusville, FL Brevard County, FL	0.9443
37460	Panama City-Lynn Haven, FL Bay County, FL	0.8027
37620	Parkersburg-Marietta, WV-OH Washington County, OH Pleasants County, WV Wirt County, WV Wood County, WV	0.7977
37700	Pascagoula, MS George County, MS Jackson County, MS	0.8215
37860	Pensacola-Ferry Pass-Brent, FL Escambia County, FL Santa Rosa County, FL	0.8000
37900	Peoria, IL Marshall County, IL Peoria County, IL Stark County, IL Tazewell County, IL Woodford County, IL	0.8982
37964	Philadelphia, PA Bucks County, PA Chester County, PA Delaware County, PA Montgomery County, PA Philadelphia County, PA	1.0996
38060	Phoenix-Mesa-Scottsdale, AZ Maricopa County, AZ Pinal County, AZ	1.0287

CBSA Code	Urban Area (Constituent Counties)	Wage Index
38220	Pine Bluff, AR Cleveland County, AR Jefferson County, AR Lincoln County, AR	0.8383
38300	Pittsburgh, PA Allegheny County, PA Armstrong County, PA Beaver County, PA Butler County, PA Fayette County, PA Washington County, PA Westmoreland County, PA	0.8674
38340	Pittsfield, MA Berkshire County, MA	1.0266
38540	Pocatello, ID Bannock County, ID Power County, ID	0.9400
38660	Ponce, PR Juana Díaz Municipio, PR Ponce Municipio, PR Villalba Municipio, PR	0.4842
38860	Portland-South Portland-Biddeford, ME Cumberland County, ME Sagadahoc County, ME York County, ME	0.9908
38900	Portland-Vancouver-Beaverton, OR-WA Clackamas County, OR Columbia County, OR Multnomah County, OR Washington County, OR Yamhill County, OR Clark County, WA Skamania County, WA	1.1416
38940	Port St. Lucie-Fort Pierce, FL Martin County, FL St. Lucie County, FL	0.9833

CBSA Code	Urban Area (Constituent Counties)	Wage Index
39100	Poughkeepsie-Newburgh-Middletown, NY Dutchess County, NY Orange County, NY	1.0911
39140	Prescott, AZ Yavapai County, AZ	0.9836
39300	Providence-New Bedford-Fall River, RI-MA Bristol County, MA Bristol County, RI Kent County, RI Newport County, RI Providence County, RI Washington County, RI	1.0783
39340	Provo-Orem, UT Juab County, UT Utah County, UT	0.9537
39380	Pueblo, CO Pueblo County, CO	0.8753
39460	Punta Gorda, FL Charlotte County, FL	0.9405
39540	Racine, WI Racine County, WI	0.9356
39580	Raleigh-Cary, NC Franklin County, NC Johnston County, NC Wake County, NC	0.9864
39660	Rapid City, SD Meade County, SD Pennington County, SD	0.8833
39740	Reading, PA Berks County, PA	0.9622
39820	Redding, CA Shasta County, CA	1.3198
39900	Reno-Sparks, NV Storey County, NV Washoe County, NV	1.1963
40060	Richmond, VA Amelia County, VA Caroline County, VA Charles City County, VA	0.9177

CBSA Code	Urban Area (Constituent Counties)	Wage Index
	Chesterfield County, VA Cumberland County, VA Dinwiddie County, VA Goochland County, VA Hanover County, VA Henrico County, VA King and Queen County, VA King William County, VA Louisa County, VA New Kent County, VA Powhatan County, VA Prince George County, VA Sussex County, VA Colonial Heights City, VA Hopewell City, VA Petersburg City, VA Richmond City, VA	
40140	Riverside-San Bernardino-Ontario, CA Riverside County, CA San Bernardino County, CA	1.0904
40220	Roanoke, VA Botetourt County, VA Craig County, VA Franklin County, VA Roanoke County, VA Roanoke City, VA Salem City, VA	0.8647
40340	Rochester, MN Dodge County, MN Olmsted County, MN Wabasha County, MN	1.1408
40380	Rochester, NY Livingston County, NY Monroe County, NY Ontario County, NY Orleans County, NY Wayne County, NY	0.8994
40420	Rockford, IL Boone County, IL Winnebago County, IL	0.9989

CBSA Code	Urban Area (Constituent Counties)	Wage Index
40484	Rockingham County-Strafford County, NH Rockingham County, NH Strafford County, NH	1.0159
40580	Rocky Mount, NC Edgecombe County, NC Nash County, NC	0.8854
40660	Rome, GA Floyd County, GA	0.9193
40900	Sacramento--Arden-Arcade--Roseville, CA El Dorado County, CA Placer County, CA Sacramento County, CA Yolo County, CA	1.3372
40980	Saginaw-Saginaw Township North, MI Saginaw County, MI	0.8874
41060	St. Cloud, MN Benton County, MN Stearns County, MN	1.0362
41100	St. George, UT Washington County, UT	0.9265
41140	St. Joseph, MO-KS Doniphan County, KS Andrew County, MO Buchanan County, MO DeKalb County, MO	1.0118

CBSA Code	Urban Area (Constituent Counties)	Wage Index
41180	St. Louis, MO-IL Bond County, IL Calhoun County, IL Clinton County, IL Jersey County, IL Macoupin County, IL Madison County, IL Monroe County, IL St. Clair County, IL Crawford County, MO Franklin County, MO Jefferson County, MO Lincoln County, MO St. Charles County, MO St. Louis County, MO Warren County, MO Washington County, MO St. Louis City, MO	0.9005
41420	Salem, OR Marion County, OR Polk County, OR	1.0438
41500	Salinas, CA Monterey County, CA	1.4337
41540	Salisbury, MD Somerset County, MD Wicomico County, MD	0.8953
41620	Salt Lake City, UT Salt Lake County, UT Summit County, UT Tooele County, UT	0.9402
41660	San Angelo, TX Irion County, TX Tom Green County, TX	0.8362

CBSA Code	Urban Area (Constituent Counties)	Wage Index
41700	San Antonio, TX Atascosa County, TX Bandera County, TX Bexar County, TX Comal County, TX Guadalupe County, TX Kendall County, TX Medina County, TX Wilson County, TX	0.8844
41740	San Diego-Carlsbad-San Marcos, CA San Diego County, CA	1.1354
41780	Sandusky, OH Erie County, OH	0.9302
41884	San Francisco-San Mateo-Redwood City, CA Marin County, CA San Francisco County, CA San Mateo County, CA	1.5165
41900	San Germán-Cabo Rojo, PR Cabo Rojo Municipio, PR Lajas Municipio, PR Sabana Grande Municipio, PR San Germán Municipio, PR	0.4885
41940	San Jose-Sunnyvale-Santa Clara, CA San Benito County, CA Santa Clara County, CA	1.5543

CBSA Code	Urban Area (Constituent Counties)	Wage Index
41980	San Juan-Caguas-Guaynabo, PR Aguas Buenas Municipio, PR Aibonito Municipio, PR Arecibo Municipio, PR Barceloneta Municipio, PR Barranquitas Municipio, PR Bayamón Municipio, PR Caguas Municipio, PR Camuy Municipio, PR Canóvanas Municipio, PR Carolina Municipio, PR Cataño Municipio, PR Cayey Municipio, PR Ciales Municipio, PR Cidra Municipio, PR Comerío Municipio, PR Corozal Municipio, PR Dorado Municipio, PR Florida Municipio, PR Guaynabo Municipio, PR Gurabo Municipio, PR Hatillo Municipio, PR Humacao Municipio, PR Juncos Municipio, PR Las Piedras Municipio, PR Loíza Municipio, PR Manatí Municipio, PR Maunabo Municipio, PR Morovis Municipio, PR Naguabo Municipio, PR Naranjito Municipio, PR Orocovis Municipio, PR Quebradillas Municipio, PR Río Grande Municipio, PR San Juan Municipio, PR San Lorenzo Municipio, PR Toa Alta Municipio, PR Toa Baja Municipio, PR Trujillo Alto Municipio, PR Vega Alta Municipio, PR Vega Baja Municipio, PR Yabucoa Municipio, PR	0.4452

CBSA Code	Urban Area (Constituent Counties)	Wage Index
42020	San Luis Obispo-Paso Robles, CA San Luis Obispo County, CA	1.1598
42044	Santa Ana-Anaheim-Irvine, CA Orange County, CA	1.1473
42060	Santa Barbara-Santa Maria-Goleta, CA Santa Barbara County, CA	1.1091
42100	Santa Cruz-Watsonville, CA Santa Cruz County, CA	1.5457
42140	Santa Fe, NM Santa Fe County, NM	1.0824
42220	Santa Rosa-Petaluma, CA Sonoma County, CA	1.4464
42260	Sarasota-Bradenton-Venice, FL Manatee County, FL Sarasota County, FL	0.9868
42340	Savannah, GA Bryan County, GA Chatham County, GA Effingham County, GA	0.9351
42540	Scranton--Wilkes-Barre, PA Lackawanna County, PA Luzerne County, PA Wyoming County, PA	0.8347
42644	Seattle-Bellevue-Everett, WA King County, WA Snohomish County, WA	1.1434
42680	Sebastian-Vero Beach, FL Indian River County, FL	0.9573
43100	Sheboygan, WI Sheboygan County, WI	0.9026
43300	Sherman-Denison, TX Grayson County, TX	0.8502

CBSA Code	Urban Area (Constituent Counties)	Wage Index
43340	Shreveport-Bossier City, LA Bossier Parish, LA Caddo Parish, LA De Soto Parish, LA	0.8865
43580	Sioux City, IA-NE-SD Woodbury County, IA Dakota County, NE Dixon County, NE Union County, SD	0.9200
43620	Sioux Falls, SD Lincoln County, SD McCook County, SD Minnehaha County, SD Turner County, SD	0.9559
43780	South Bend-Mishawaka, IN-MI St. Joseph County, IN Cass County, MI	0.9842
43900	Spartanburg, SC Spartanburg County, SC	0.9174
44060	Spokane, WA Spokane County, WA	1.0447
44100	Springfield, IL Menard County, IL Sangamon County, IL	0.8890
44140	Springfield, MA Franklin County, MA Hampden County, MA Hampshire County, MA	1.0079
44180	Springfield, MO Christian County, MO Dallas County, MO Greene County, MO Polk County, MO Webster County, MO	0.8469

CBSA Code	Urban Area (Constituent Counties)	Wage Index
44220	Springfield, OH Clark County, OH	0.8593
44300	State College, PA Centre County, PA	0.8784
44700	Stockton, CA San Joaquin County, CA	1.1442
44940	Sumter, SC Sumter County, SC	0.8083
45060	Syracuse, NY Madison County, NY Onondaga County, NY Oswego County, NY	0.9691
45104	Tacoma, WA Pierce County, WA	1.0789
45220	Tallahassee, FL Gadsden County, FL Jefferson County, FL Leon County, FL Wakulla County, FL	0.8942
45300	Tampa-St. Petersburg-Clearwater, FL Hernando County, FL Hillsborough County, FL Pasco County, FL Pinellas County, FL	0.9144
45460	Terre Haute, IN Clay County, IN Sullivan County, IN Vermillion County, IN Vigo County, IN	0.8765
45500	Texarkana, TX-Texarkana, AR Miller County, AR Bowie County, TX	0.8104
45780	Toledo, OH Fulton County, OH Lucas County, OH Ottawa County, OH Wood County, OH	0.9586

CBSA Code	Urban Area (Constituent Counties)	Wage Index
45820	Topeka, KS Jackson County, KS Jefferson County, KS Osage County, KS Shawnee County, KS Wabaunsee County, KS	0.8730
45940	Trenton-Ewing, NJ Mercer County, NJ	1.0835
46060	Tucson, AZ Pima County, AZ	0.9202
46140	Tulsa, OK Creek County, OK Okmulgee County, OK Osage County, OK Pawnee County, OK Rogers County, OK Tulsa County, OK Wagoner County, OK	0.8103
46220	Tuscaloosa, AL Greene County, AL Hale County, AL Tuscaloosa County, AL	0.8542
46340	Tyler, TX Smith County, TX	0.8811
46540	Utica-Rome, NY Herkimer County, NY Oneida County, NY	0.8396
46660	Valdosta, GA Brooks County, GA Echols County, GA Lanier County, GA Lowndes County, GA	0.8369
46700	Vallejo-Fairfield, CA Solano County, CA	1.5137

CBSA Code	Urban Area (Constituent Counties)	Wage Index
47020	Victoria, TX Calhoun County, TX Goliad County, TX Victoria County, TX	0.8560
47220	Vineland-Millville-Bridgeton, NJ Cumberland County, NJ	0.9832
47260	Virginia Beach-Norfolk-Newport News, VA-NC Currituck County, NC Gloucester County, VA Isle of Wight County, VA James City County, VA Mathews County, VA Surry County, VA York County, VA Chesapeake City, VA Hampton City, VA Newport News City, VA Norfolk City, VA Poquoson City, VA Portsmouth City, VA Suffolk City, VA Virginia Beach City, VA Williamsburg City, VA	0.8790
47300	Visalia-Porterville, CA Tulare County, CA	0.9968
47380	Waco, TX McLennan County, TX	0.8633
47580	Warner Robins, GA Houston County, GA	0.8380
47644	Warren-Troy-Farmington Hills, MI Lapeer County, MI Livingston County, MI Macomb County, MI Oakland County, MI St. Clair County, MI	1.0054

CBSA Code	Urban Area (Constituent Counties)	Wage Index
47894	Washington-Arlington-Alexandria, DC-VA-MD-WV District of Columbia, DC Calvert County, MD Charles County, MD Prince George's County, MD Arlington County, VA Clarke County, VA Fairfax County, VA Fauquier County, VA Loudoun County, VA Prince William County, VA Spotsylvania County, VA Stafford County, VA Warren County, VA Alexandria City, VA Fairfax City, VA Falls Church City, VA Fredericksburg City, VA Manassas City, VA Manassas Park City, VA Jefferson County, WV	1.1054
47940	Waterloo-Cedar Falls, IA Black Hawk County, IA Bremer County, IA Grundy County, IA	0.8408
48140	Wausau, WI Marathon County, WI	0.9722
48260	Weirton-Steubenville, WV-OH Jefferson County, OH Brooke County, WV Hancock County, WV	0.8063
48300	Wenatchee, WA Chelan County, WA Douglas County, WA	1.0346
48424	West Palm Beach-Boca Raton-Boynton Beach, FL Palm Beach County, FL	0.9649

CBSA Code	Urban Area (Constituent Counties)	Wage Index
48540	Wheeling, WV-OH Belmont County, OH Marshall County, WV Ohio County, WV	0.7010
48620	Wichita, KS Butler County, KS Harvey County, KS Sedgwick County, KS Sumner County, KS	0.9063
48660	Wichita Falls, TX Archer County, TX Clay County, TX Wichita County, TX	0.8311
48700	Williamsport, PA Lycoming County, PA	0.8139
48864	Wilmington, DE-MD-NJ New Castle County, DE Cecil County, MD Salem County, NJ	1.0684
48900	Wilmington, NC Brunswick County, NC New Hanover County, NC Pender County, NC	0.9835
49020	Winchester, VA-WV Frederick County, VA Winchester City, VA Hampshire County, WV	1.0091
49180	Winston-Salem, NC Davie County, NC Forsyth County, NC Stokes County, NC Yadkin County, NC	0.9276
49340	Worcester, MA Worcester County, MA	1.0722

CBSA Code	Urban Area (Constituent Counties)	Wage Index
49420	Yakima, WA Yakima County, WA	0.9847
49500	Yauco, PR Guánica Municipio, PR Guayanilla Municipio, PR Peñuelas Municipio, PR Yauco Municipio, PR	0.3854
49620	York-Hanover, PA York County, PA	0.9397
49660	Youngstown-Warren-Boardman, OH-PA Mahoning County, OH Trumbull County, OH Mercer County, PA	0.8802
49700	Yuba City, CA Sutter County, CA Yuba County, CA	1.0730
49740	Yuma, AZ Yuma County, AZ	0.9109

[1] At this time, there are no hospitals located in this urban area on which to base a wage index. Therefore, the urban wage index value is based on the average wage index for all urban areas within the State.

Table 2--RY 2008 WAGE INDEX BASED ON CBSA LABOR MARKET AREAS FOR RURAL AREAS

CBSA Code	Nonurban Area	Wage Index
1	Alabama	0.7591
2	Alaska	1.0661
3	Arizona	0.8908
4	Arkansas	0.7307
5	California	1.1454
6	Colorado	0.9325
7	Connecticut	1.1709
8	Delaware	0.9705

CBSA Code	Nonurban Area	Wage Index
10	Florida	0.8594
11	Georgia	0.7593
12	Hawaii	1.0448
13	Idaho	0.8120
14	Illinois	0.8320
15	Indiana	0.8538
16	Iowa	0.8681
17	Kansas	0.7998
18	Kentucky	0.7768
19	Louisiana	0.7438
20	Maine	0.8443
21	Maryland	0.8926
22	Massachusetts[1]	1.0216
23	Michigan	0.9062
24	Minnesota	0.9153
25	Mississippi	0.7738
26	Missouri	0.7927
27	Montana	0.8590
28	Nebraska	0.8677
29	Nevada	0.8944
30	New Hampshire	1.0853
31	New Jersey[1]	------
32	New Mexico	0.8332
33	New York	0.8232
34	North Carolina	0.8588
35	North Dakota	0.7215
36	Ohio	0.8658
37	Oklahoma	0.7629
38	Oregon	0.9753
39	Pennsylvania	0.8320
40	Puerto Rico[1]	0.4047
41	Rhode Island[1]	------

CBSA Code	Nonurban Area	Wage Index
42	South Carolina	0.8566
43	South Dakota	0.8480
44	Tennessee	0.7827
45	Texas	0.7965
46	Utah	0.8140
47	Vermont	0.9744
48	Virgin Islands	0.8467
49	Virginia	0.7940
50	Washington	1.0263
51	West Virginia	0.7607
52	Wisconsin	0.9553
53	Wyoming	0.9295
65	Guam	0.9611

[1] All counties within the State are classified as urban, with the exception of Massachusetts and Puerto Rico. Massachusetts and Puerto Rico have areas designated as rural; however, no short-term, acute care hospitals are located in the area(s) for RY 2008. Because more recent data are not available for those areas, we are using last year's wage index value.

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